

 Yorkshire Bank



ArmstrongWatson[®]

Accountants, Business & Financial Advisers

A track record of providing solutions to the legal profession

Legal Sector Breakfast Briefing

Newcastle
8 July 2020

Working with



The Law Society

ArmstrongWatson[®]

Accountants, Business & Financial Advisers

Legal Sector Breakfast Briefing

Welcome & Introduction

Andy Poole, Legal Sector Partner
Armstrong Watson

Legal Sector Breakfast Briefing

10:00	-	Welcome
10:05	-	Briefing
11:00	-	Q & A
11:30	-	Close

Acting for vulnerable clients - an opportunity for law firms

David Mulholland

Spring 2020



ArmstrongWatson[®]

Accountants, Business & Financial Advisers

BM

BROOKS MACDONALD

Our aim

To promote the best financial advice and investment management services for vulnerable clients and those acting on their behalf.

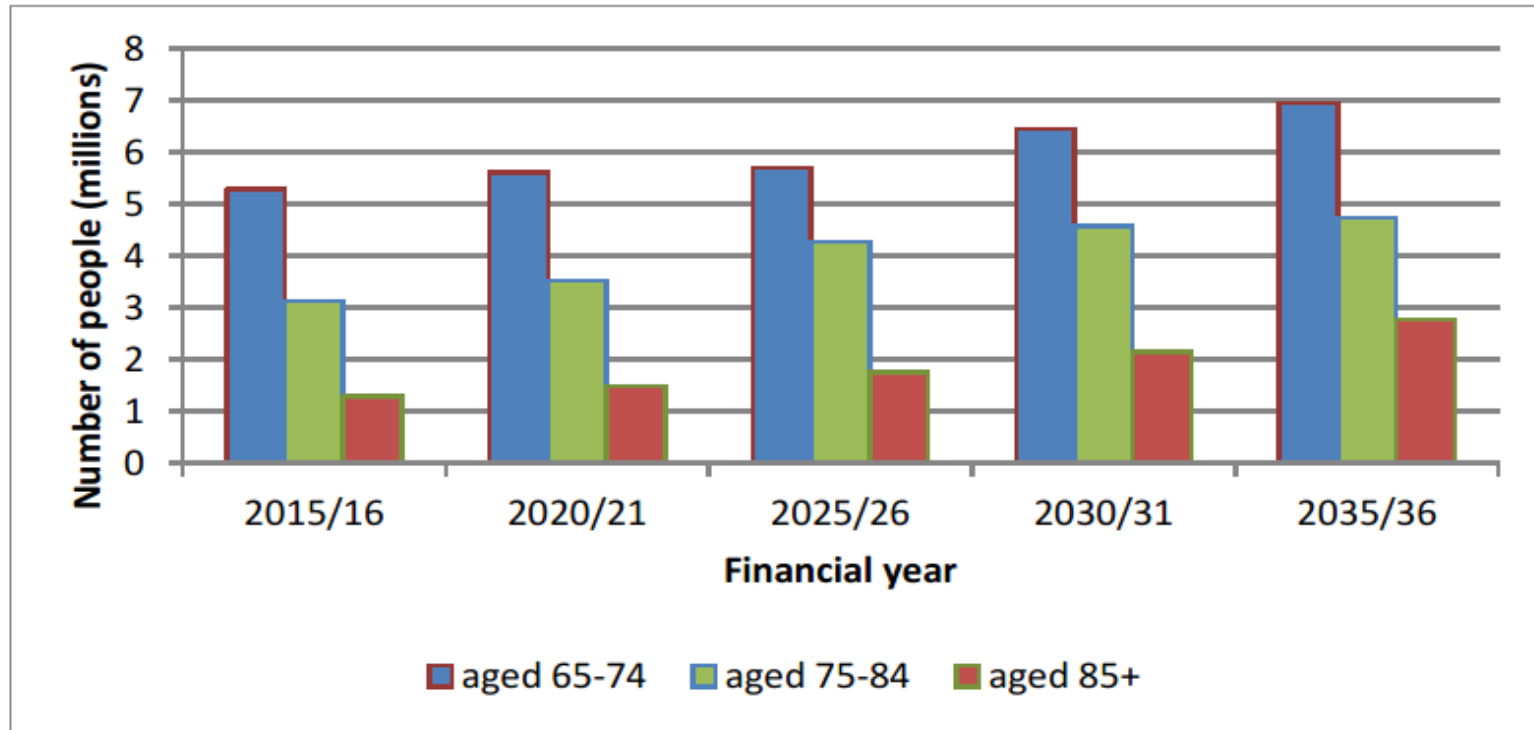
Agenda

Vulnerable clients – The regulatory background

- Our ageing population
 - Intergenerational wealth transfer
 - Support from legal and financial services
 - Opportunities for advice and referrals
- Regulatory guidance
 - Financial Conduct Authority
 - Identifying & supporting vulnerable clients
 - Legal Services Board Research
- SRA governance on referrals to financial services providers
 - Due diligence process
 - Why independent financial advice?

Ageing population stats

Figure 2: Actual and projected number of people aged 65 and over in England by age group, 2015/16 to 2035/36



Source: Office for National Statistics (2016², 2016³)^a

² Office for National Statistics (2016); "Population estimates for UK, England and Wales, Scotland and Northern Ireland," -

³ Office for National Statistics (2016); "Table A2-4, principal projection – England population in age groups,"

^a Note: 2015/16 is based on population estimates and 2020/21 to 2035/36 on population projections.

Mental Capacity Act 2005

5 Principles:

- A person must be assumed to have capacity unless it is established that he lacks capacity.
- A person is not to be treated as unable to make a decision unless all practicable steps to help him to do so have been taken without success.
- A person is not to be treated as unable to make a decision merely because he makes an unwise decision.
- An act done, or decision made, under this Act for or on behalf of a person who lacks capacity must be done, or made, in his best interests.
- Before the act is done, or the decision is made, regard must be had to whether the purpose for which it is needed can be achieved in a way that is less restrictive of the person's rights and freedom of action.

Intergenerational planning

// Over £300bn will be transferred to around 300,000 inheritors over the next ten years.

To put this figure into context, it exceeds the £274bn currently administered by adviser firms on behalf of UK private clients*. The sheer scale of forthcoming inheritance demonstrates the rising influence wealth transfer will have on the UK wealth management industry and those operating within it.

Source: *PIMFA: The Financial Adviser Market in Numbers, 2017

First things first...



A range of issues to advise on

- Income planning
- Pension projections
- Investment decumulation
- Care options & budgeting for care costs
- Cash flow projections
- Sourcing available local authority and NHS support
- Loss of mental capacity & power of attorney
- Illness and bereavement
- Intergenerational wealth transfer
- Wills and estate planning
- Life insurance
- Tax & trusts
- Business property relief
- Responsible investment options

- Education & signposting is critical...

The benefit and value of IFA services



Dealing with vulnerable clients

FCA OP 8 – Consumer Vulnerability – February 2015

“Vulnerability can affect people’s interaction with any consumer market, but it is particularly challenging in the context of financial services due in part to the long term nature of commitments, and the complexity of products and services.”

FCA definition of a vulnerable client

“A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly **when a firm is not acting with appropriate levels of care.**”

Risk factors for vulnerable clients – FCA OP 8

- Low literacy
- Physical disability
- Severe or long term illness
- Mental health problems
- Low income and/or debt
- Caring responsibilities (inc. operating power of attorney)
- Being “older old” e.g. over 80
- Being young (associated with inexperience)
- Change in circumstances (e.g. job loss, bereavement, divorce)
- Lack of English language skills
- Non-standard requirements or credit history (e.g. armed forces personnel returning from abroad, ex-offenders, care home leavers, recent immigrants)

SRA Risk factors for vulnerability

Characteristics

Age	Low Income	Inexperience
Low literacy	Learning disabilities	Cultural barriers
Physical disabilities	Mental health issues	English as a second language
Health problems	Location	Being a carer
Lack of internet access	Lone parent	Living alone or in poor living conditions

Situation

Threat of harm	Victim of crime or accident
Bereavement	Loss of income
Relationship breakdown	Loss of employment
Having recently left care	Threat of deportation
Concern over access to children	Concern over child welfare

FCA – impacts of vulnerability

- Heightened stress levels due to personal circumstances
- Increased time pressure – less time for ‘personal admin’
- Increasing pre-occupation – ‘brain is elsewhere’
- Processing power and ability decreases due to competing pressures (side effect of treatment or emotional distress)
- Lack of perspective, especially when experiencing something for the first time, and therefore not understanding the broader implications, unable to make comparisons
- Changing attitudes towards taking risks – often becoming more reckless and / or careless at moments of stress

What do vulnerable clients need?

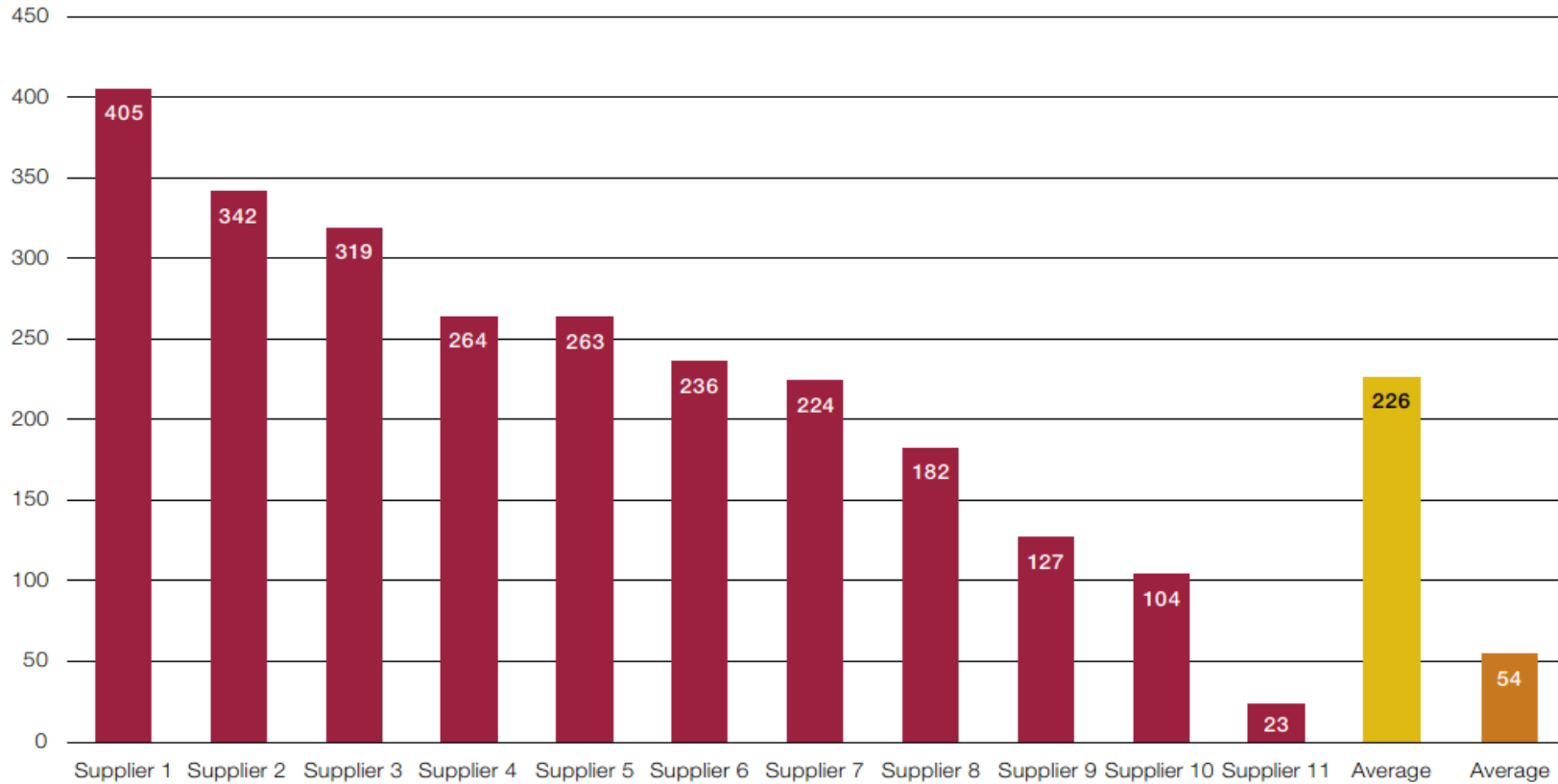
Legal Services Board research - March 2017

- Being heard and treated with empathy
- Help to understand information provided, often repeated
- Plain English – written and verbal
- Clear on cost
- Information in advance of meetings
- Encouraged to ask questions to check understanding
- A regular point of contact
- Offer to meet at the client's home
- Offer an introduction to the advice available for free
- Adapting to support individuals with symptoms

Ofgem- impacts of vulnerability

2015 Price differential between cheapest direct debit and cheapest prepayment dual fuel tariff

£/year, 2015 prices



- Price difference
- Average price difference
- Cost to serve differential

Source: National Audit Office analysis of Citizen's Advice research and the Competition and Markets Authority's energy market investigation

What happens next?

- FCA will review actions in the near future
- **Firms should:**
 - Approach embedded throughout an organisation
 - **Vulnerable Client Policy**
 - Training and feedback / audit current processes
 - Ensure process matches enthusiasm
 - care around disclosure of sensitive information
 - process flexibility to account for vulnerable client
 - Promote accessibility and inclusion.....

Considering a referral – SRA Code of Conduct Chapter 6

- SRA guidance has changed...4 years ago...
 - *6.1: “.....best interests...”*
 - *6.3: “....in a position to make informed decisions...”*
- And have changed again – November 2019
- Compliance Officer for Legal Practice (COLP) - templating a panel approach
- Sharing due diligence information is critical
- **Can the firm manage vulnerable client interaction?**

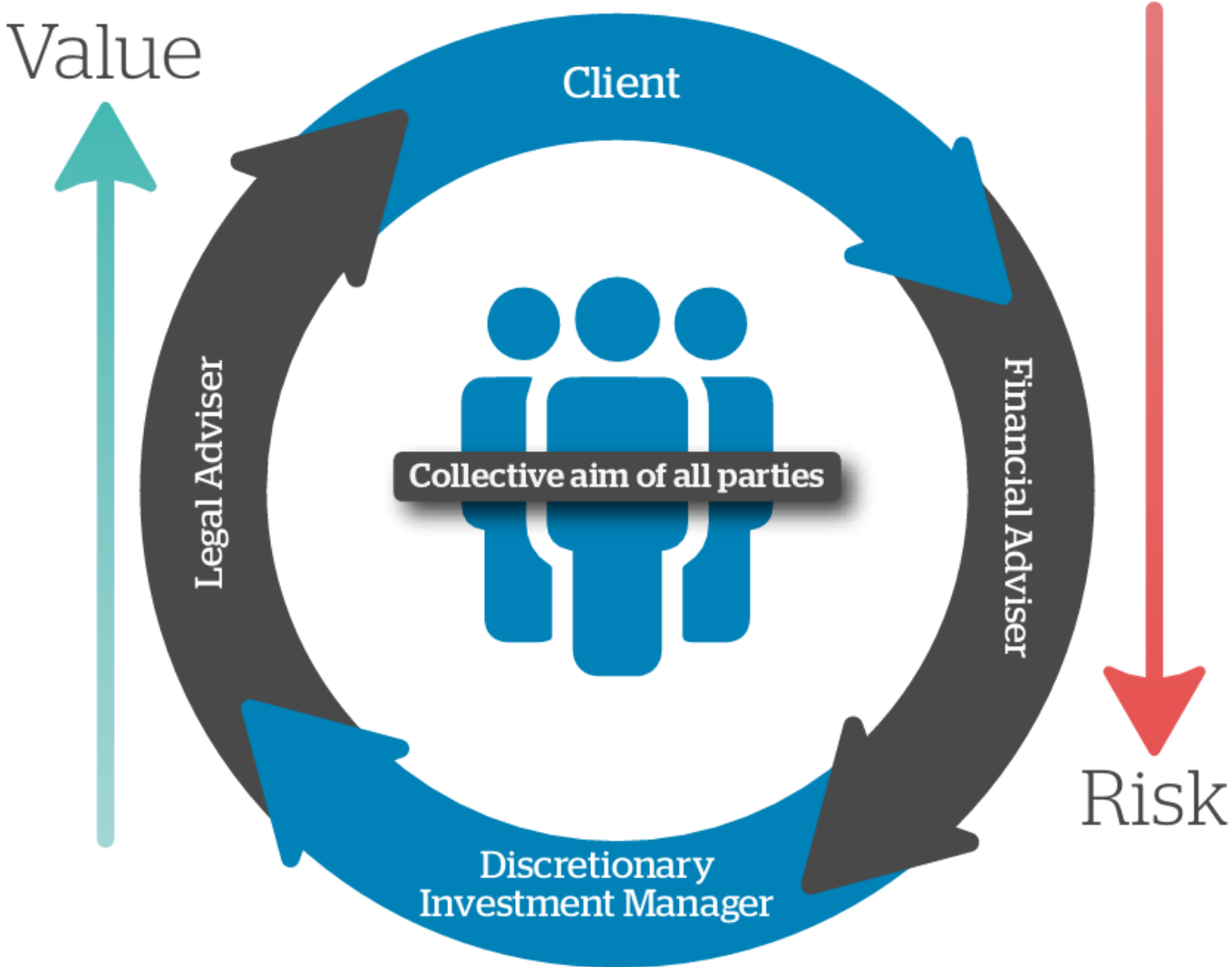


Deputy standards

Professional deputies



The route to best advice



Conclusion: Our aim...

To promote the best financial advice and investment management services for vulnerable clients and those acting on their behalf.

Important information

All data provided by Brooks Macdonald as at 30.09.17, unless otherwise stated. This document is intended for professional advisers only and should not be relied upon by any persons who do not have professional experience in matters relating to investments.

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

www.msci.com

The value of your investments and the income from them may go down as well as up, you could get back less than you invested. Past performance is not a reliable indicator of future results. Changes in exchange rates may have an adverse effect on the value of an investment. Changes in interest rates may also impact the value of fixed income investments. The value of your investment may be impacted if the issuers of underlying fixed income holdings default, or market perceptions of their credit risk change. There are additional risks associated with investments in emerging or developing markets.

This documentation may contain confidential or legally privileged information that is intended for the addressee only. Any views or opinions presented are solely those of the author and do not necessarily represent those of Brooks Macdonald. If you are not the intended recipient you are hereby notified that any disclosure, copying, distribution or reliance upon the contents of this documentation is strictly prohibited. If you have received this documentation in error, please notify the sender immediately, so that arrangements may be made for its proper delivery.

Important information

The information in this document does not constitute advice or a recommendation and investment decisions should not be made on the basis of it. This document is for the information of the recipient only and should not be reproduced, copied or made available to others.

Investment Fund Services Limited (IFSL) is the Authorised Corporate Director of the IFSL Brooks Macdonald Fund. IFSL is registered in England No. 06110770 and is authorised and regulated by the Financial Conduct Authority. Registered office: Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP. Copies of the Prospectus and Key Investor Information Documents are available from www.ifslfunds.com or can be requested as a paper copy by calling 0808 178 9321 or writing to IFSL, Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP.

Brooks Macdonald is a trading name of Brooks Macdonald Group plc used by various companies in the Brooks Macdonald group of companies.

Brooks Macdonald Asset Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England No 03417519. Registered office: 72 Welbeck Street London W1G 0AY.

AIM companies can be illiquid in nature, meaning that it can be difficult to implement purchase or sale decisions during periods of volatility.

Tax treatment depends on your individual circumstances and may be subject to change in the future and may be subject to change in the future.

More information about the Brooks Macdonald Group can be found at www.brooksmacdonald.com.

Legal Sector Breakfast Briefing

Q&A

Sue Carter, UK Head of Professional Services Sector
Yorkshire Bank



Legal Sector Breakfast Briefing

Conclusion

Justin Rourke, Senior Financial Planning Manager
Armstrong Watson

Birbeck House, Duke Street, Penrith, CA11 7NA

T: 01768 222071 M: 07795 511223

E: justin.rourke@armstrongwatson.co.uk



Andy Poole, Legal Sector Partner Armstrong Watson

Rotterdam House, 116 Quayside, Newcastle, NE1 3DY

T: 0191 434 0830

M: 07828 857830

Twitter: @AW_AndyPoole

E: andy.poole@armstrongwatson.co.uk

www.armstrongwatson.co.uk/legalsector



ArmstrongWatson[®]
Accountants, Business & Financial Advisers

Disclaimer

This presentation and supporting documentation has been prepared in general terms and therefore cannot be relied upon to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this presentation and/or supporting documentation. Armstrong Watson would be pleased to advise on how to apply the principles set out here to your specific circumstances. Neither Armstrong Watson nor the presenters accept a duty of care or liability for any loss occasioned to any person acting or refraining from acting as a result of this presentation and supporting documentation.

ArmstrongWatson[®]

Accountants, Business & Financial Advisers

0808 144 5575

www.armstrongwatson.co.uk

ArmstrongWatson[®]

Accountants, Business & Financial Advisers