

## **Identifying and Safeguarding Vulnerable Clients as Professional Trustees: A Crucial Responsibility**

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### **Introduction**

In the financial services industry, the welfare of clients is paramount. Among these clients are those who may be vulnerable, facing challenges such as age-related impairments, mental health issues, disabilities, or financial difficulties. Identifying and protecting these vulnerable clients is not just a regulatory requirement, but an ethical obligation that sets the foundation of trust and integrity between financial professionals and their clients. This document explores the importance of recognizing and safeguarding vulnerable clients for Professional Trustees of SSAS pensions schemes.

It's important to highlight that a SSAS is not an FCA regulated product, it is a Trust, granted approval for use as a pension savings vehicle (with its associated tax privileges). As such, there are no standardised provisions as to how a Professional Trustee and Scheme Administrator firm for SSAS pension schemes should act. Member Trustees of SSAS schemes should therefore ensure that Professionals they appoint are suitability qualified, experienced, and can provide documentation relating to their stance on matters pertaining to the scheme.

### **Identifying Vulnerable Clients**

One of the essential steps in protecting vulnerable clients is to recognize the signs indicating their vulnerability. It requires a keen understanding of the various factors that may render a client vulnerable, such as cognitive decline, susceptibility to coercion, or socially isolated living situations. Any Financial professional should be trained to spot red flags that suggest a client's inability to make informed decisions or effectively manage their financial affairs. These signs may include unusual behaviour patterns, sudden changes in financial behaviour, or dependence on others to carry out financial transactions. These signs are not restricted to customers in advancing age and highlights the importance of regular Trustee meetings to ensure that Professional Trustees have a gauge as to what is 'usual' communication and investment activity for the Member Trustees. When we look at 'Know Your Customer' (or KYC), it's far more encompassing than simply certifying the ID of the Member Trustees, it's about knowing how they operate their pension scheme, what 'normal' activity looks like for them, and understanding their needs. This way, if something is amiss, we can look to provide the appropriate support sooner rather than later.

## **Building Trust and Empathy**

Establishing trust and empathy with any client is crucial in creating an environment where they feel safe and supported, more so for those who may be vulnerable. We must approach these clients with sensitivity and understanding, acknowledging their unique challenges and needs. By cultivating a relationship based on trust, professionals can encourage open communication and foster a sense of security for clients to discuss their concerns and seek guidance. Checking in with these clients, ensuring they understand not only where their pension scheme stands currently, but ensuring they have a clear directive for the next few months may be helpful. Clients who are unwell might benefit from having copies of pertinent information such as leases, buildings insurance, and bank statements, so that scheme information can be accessed easily. Clients who have issues with their business may need reassurance that the holdings of the Pension Scheme Trust are held separately from that business, and that pension assets are safe (where applicable). It's about Trust and Empathy are about providing connection, and reassurance, talking through scenarios so that scheme Members feel heard and empowered.

## **Tailored Approach to Financial Planning**

Each client has specific circumstances that require a personalized approach to financial planning. As competent Professional Trustees, we take into account clients' positions and unique vulnerabilities when operating our schemes, ensuring that these plans align with the clients' best interests and long-term goals. This tailored approach may involve setting up safeguards to protect against financial exploitation, simplifying complex financial information, or involving trusted family members or advocates in the decision-making process. Again, ensuring that the scheme Members feel seen, heard, and valued.

## **Early Intervention and Support**

Early intervention is key to preventing financial harm to vulnerable clients. With this in mind, we proactively identify clients who may be at risk and offer them the necessary support and assistance. This may involve referring clients to specialized services, connecting them with legal experts, or implementing protective measures to safeguard their assets. This could mean working with a client to ensure that proposed loans from the scheme are secured in the right way, that introduced investments are appropriate for the client, and that full disclosure and transparency has been sought where commission payments are due.

## **Monitoring and Reassessment**

Safeguarding vulnerable clients is an ongoing process that requires continuous monitoring and reassessment of their financial situations. We regularly review the circumstances of vulnerable clients, keeping an eye on any changes that may impact their ability to make sound financial decisions. By staying vigilant and responsive to our clients' needs, we can adapt approaches accordingly and provide the necessary support to ensure financial well-being, and protection of the assets held within our Trusts.

## **Compliance with Regulatory Standards**

Regulatory bodies have imposed stringent requirements on financial institutions to protect vulnerable clients from financial abuse and exploitation. Compliance with these standards is not only a legal obligation for FCA regulated firms, but a demonstration of the commitment to ethical practices and client welfare. Sestini and Co Pension Trustees, adhere to guidelines that govern the treatment of vulnerable clients, including reporting suspicions of financial abuse, conducting enhanced due diligence, and providing appropriate training to staff members. It is important that we highlight that whilst a SSAS is NOT a pension product, it is a Trust, and therefore not under the governance of the FCA, we approach all matters as if it were. We also work closely with The Pensions Regulator, HMRC and The Pensions Ombudsman, to ensure that not only are our standards unwaveringly high, but that we can be held to account should we fall short. A SSAS not being an FCA regulated pension saving tool should not exempt those who are charged with its governance from being held to account, something which has been reflected in TPO decisions in recent months.

## **Conclusion**

At Hayward Sestini Pensions Limited, our approach to Identifying and protecting vulnerable clients is a fundamental responsibility, which we take on board as part of today's complex and dynamic financial landscape. By recognising the signs of vulnerability, building trust and empathy, tailoring financial planning strategies, complying with regulatory standards, offering early intervention and support, and continuously monitoring and reassessing clients' situations, we can uphold the highest standards of client care and ensure the protection of those who are most at risk. This in turn, ensures we can uphold our commitment to integrity, ethical conduct, and client-centered services in the pursuit of a more inclusive and secure financial environment.

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