

For investment advisers

Suitability reports

This factsheet is for you if:

- prepare suitability reports to be issued to private customers or
- monitor the quality of suitability reports others produce to issue to private customers

It sets out good practice for preparing and monitoring these reports.

What does the FCA expect from you?

Suitability reports explain to the customer how and why your recommendations meet their needs and personal goals. They should be clear, fair and not misleading.

So for each suitability report, you should consider whether it:

- is tailored to your customer
- uses clear and plain language;
- explains the reasons for all recommendations and how they relate to the customer's objectives
- highlights the risks associated with the recommendations
- explains the costs, charges and potential penalties attached to the recommendations
- provides a balanced view
- highlights if you have omitted any objectives
- highlights how the customer will be advantaged or disadvantaged by the advice and
- shows evidence of comparisons on a like-to-like basis where an existing plan has been cancelled and a new one devised.

Good practice examples

When preparing and issuing suitability reports, remember that customers are less likely to consider the recommendations being made if the report is too long. Instead, you could put technical information in an appendix.

Here are some other good practices we have seen.

Firms:

- Gave a clear summary of the customer's objectives, needs, priorities and relevant existing investments, demonstrating the adviser had taken account of these.
- Used bold text to highlight key risks and changes associated with the recommendations.
- Used the customer's own words taken from file notes, to make the recommendations more relevant.
- Sent reports to customers before the second meeting and fully discussed at the meeting.
- Used bullets instead of long sentences.

Setting out good practice in suitability reports

Do your reports contain the appropriate information?



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