Knowing your customer and assessing their needs

This factsheet is for you if:

- you provide financial advice to private customers
- you supervise others who give financial advice to private customers

It highlights:

Some of the practices we have seen in use at firms getting good results and which appear to us to exhibit good practice. Other firms might wish to consider their own processes for assessing customers' needs to help ensure they treat them fairly, looking at:

- capturing factual information
- the value of gathering 'soft facts', and
- 'goal-setting' by customers

These are only examples. There may be other ways of complying with our principles and rules and you may choose to adopt an alternative approach.

Capturing factual information

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Before your firm gives a personal recommendation concerning a designated investment to a private customer, it must take reasonable steps to find out and record sufficient details about the customer that relate to the services you are offering. In addition to basic customer information, some of the key areas you may consider (according to the circumstances) include;

- a detailed breakdown of income/expenditure and assets/liabilities
- sufficient details of existing savings/investments/pension and life assurance arrangements
- terms of any wills and details of expected inheritances
- sufficient details of occupation status and prospects
- health details

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Soft facts and customer goals

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Some notable examples of good practice we have seen were cases where the adviser had clearly established the goals and aspirations of the customer and had clearly matched the recommendations to this information. Areas you may want to consider include;

- what is the previous investment experience and knowledge of the customer? Why did they invest and what were their expectations?
- what are they planning for? Personal 'landmark' dates to plan for such as retirement date, daughter's wedding, silver wedding anniversary, who does the customer wish to benefit from the financial plan you are being asked to formulate?
- if they have a number of goals, which are the most important to them?
- how much cash does the customer like to hold at all times?
- by how much can an investment fluctuate in value before the customer begins to feel uncomfortable?

When assessing a customer's needs you should make sure you consider their hopes and aspirations plus any beliefs, circumstances or fears and barriers to planning. This will help you clearly establish what their priorities are and ensure you are treating them fairly. It may also identify the potential for further advice and services.

Good practice tips:

Sufficiently in depth fact-finds, with detailed and extensive notes.

The customer's financial priorities, objectives and expectations – captured in their own words and phrases.

Consideration given to potential changes in circumstances, for example elderly relatives going into care

Further help:

http://www.fsa.gov.uk/smallfirms

Are you asking the right questions?

Sometimes a core fact find may not be enough.
Gather more of the customer's views and feelings, to help assess their needs AND produce more effective suitability letters.