

Episode 11: Transcript & Shownotes

Title: Know Your Client Fully: Risk, Preferences and Consumer Duty in an Uncertain World

Summary: What does it mean to know your client fully when risk is no longer just financial? This episode connects global risk, client preferences, Consumer Duty and vulnerability – and explains why understanding how clients feel about risk is now central to good advice.

Transcript:

Elly: Hello, I'm Elly Dowding.

Lee: And I'm Lee Coates. Together we are In Accord and the Accord Initiative.

E: You're listening to Accord Talks, a podcast about sustainability and compliance and advice processes supporting the financial advice sector. We hope you're all well.

L: Okay, today's episode is really about something that we keep coming back to. Actually, what we spend every day thinking about. And that is what it actually means to know your client properly, or fully, I should say, shouldn't I? Know your client fully is the new strap line for our work.

E: Yes it is and I think that we should explain that this means knowing your client as a greater or deeper thing than knowing them only in pure financial outcome terms. We're talking about the real human elements, client's investment preferences and how people invest their money being a highly personal choice that has a material effect on outcomes.

L: And that's not the only outcome. Advisors can listen closely here because in my personal experience advising clients, advise clients that can make informed choices about investment preferences are highly engaged with their advisor. So it's a win-win. Plus I think it's one of those outcomes that consumer duty is pointing towards. I'm rubbing my hands together here looking forward to getting into this topic.

E: Yeah, me too. Okay, so as we record this, we're seeing a really interesting convergence of things happening at once. I think that on the one hand, advisors are being asked to absorb more information than ever, things like regulation, disclosures, risks, sustainability, vulnerability, consumer duty monitoring, etc.

And on the other hand, clients and everyone in general, really, we're all attempting to navigate a world that does seriously feel more uncertain, more complex and honestly more unsettling than it did even just a year or so ago.

L: Yeah, that's very true. And that's not just market volatility that we're talking about. We're talking about things like social instability, climate risk, geopolitical tension, and economic pressure. And all of these things feed into how people feel about money, and that can affect their preferences towards how they want their money to be invested.

E: I think that's so well put. And I think that what you've just said brings us very neatly over to the World Economic Forum's Global Risks Report for 2026.

L: Yeah, nice. Okay, so our listeners may be relieved to hear that we're not going to walk through the report line by line. It is a 102 page report after all. But we do want to cover the report with you in terms of why the report is useful for advisors and what they can take from it. Before we get into the detail, it's probably worth pausing for a moment on what the World Economic Forum's Global Risk Report actually is. Elly, do you want to cover that?

E: Yeah, thanks. Okay. So the Global Risks Report is an annual publication produced by the World Economic Forum. It's based on surveys and analysis from thousands of leaders across business, government, academia, and civil society worldwide. So its purpose isn't to predict markets or tell us what will happen next year. Instead, it looks at the risks that are most likely and the most impactful over the short, medium and longer terms. Crucially, it looks at how these risks interact with one another.

So I think that what makes the report particularly interesting is that it doesn't treat risks in isolation. It looks at how economic pressures, geopolitical instabilities, hard to say, environmental risks, social tension and technological change compound and reinforce each other. So rather than saying a simple, this is the biggest risk, it asks things like, which risks are accelerating, which ones are becoming more interconnected, and where are systems becoming fragile rather than resilient.

L: Yeah, so for financial services and especially for financial advice that really matters because the report isn't about abstract global threats. It's about the conditions people are living in, what they are reacting to and making long-term decisions within all of this. In other words, it gives us a lens on the world that our clients are navigating, whether they articulate it that way or not, whether they are fully aware of it or not and I suppose whether they choose to engage with it or not.

But there are some things in the report that I believe advisors should engage with. First, the report shows that risk is increasingly interconnected. Economic risk doesn't sit neatly apart from environmental risk, social risk or political risk anymore. And second, it shows that perception of risk matters as much as the risk itself. People's behaviour is driven by what they believe is happening, not just what the data says.

And this reminds me of the wonderful comment attributed to Seneca, the younger, where he said, we suffer more often in imagination than in reality. And the third point, trust is a very fragile thing. Institutions, systems and advice relationships are all under scrutiny.

E: That was a great quote to get in there. That's a real life lesson, that one. So thank you for sharing that, Lee. And all the points, I think, land squarely in the financial advisory arena. Because when clients and advisors talk about volatility or returns or time horizons, what the client is often expressing is uncertainty, anxiety, or a need for reassurance. They do come to a financial advisor for a reason.

L: That's so true. And it also means that advisors who only focus on numbers are possibly missing half the picture. Now let's step back a minute. We're not talking about turning advisors into therapists. We're talking about recognising that risk conversations are very human conversations. And what we're seeing, and what I think the WF report reinforces, is that clients don't experience risk in silos.

Climate risk, for example, isn't abstract for many people anymore. It can show up as concern about the future, about the lives of children and grandchildren, for a company owner and their company premises, flooding, or about long-term financial security. And all of these situations can, of course, also potentially trigger and compound vulnerability.

E: That's so true. And we've got a bit more on vulnerability later. Okay, so there's one other report that we wanted to briefly mention here at this stage, because it sits in the same risk context as the World Economic Forum work, but it's from a UK national perspective.

On 20th of January, HM Government published a national security assessment looking at global biodiversity loss and ecosystem collapse and how these issues interact with national and economic security. We will add the report to the show notes, by the way. So I have to say that personally, I find the report very uncomfortable and upsetting to read.

It runs to just 14 pages. And what it does is frame environmental degradation as a systemic risk driver rather than a standalone environmental issue. So it links biodiversity loss to things like food and supply chain disruption, economic instability, increased geopolitical tension, pressures on public finances and infrastructure, and ultimately social resilience. So

I think, in other words, treats ecosystem collapse as something that can amplify existing risks rather than sit quietly in the background.

L: Yeah, that's really interesting stuff. And I think from an advice perspective, this matters because this is part of the wider risk environment that clients are living in. And to be very clear, we do not mean to imply here that advisors and clients, through their investments, need to solve these risks. And I should also throw a reminder in here as well that assessments like this don't create policy on their own. What they do is shape the direction, priorities and constraints of policy.

E: Yeah, exactly. I think that those are really important clarification points. So I think that we need to highlight as well that for some clients, reports like this may reinforce existing anxieties for the future. For others, of course, these kind of reports may sit completely outside their frame of reference and neither response is right or wrong. But I think taken together with the World Economic Forum report,

This government report reinforces the same underlying point that risk today is more interconnected, more systemic and more emotionally charged than it used to be, which brings us back once again to the importance of understanding how clients perceive risk.

L: Yeah, that's great. So I think what we're saying is that risks are felt in very different ways and how they are felt is very personal and this is very nuanced person to person. And making assumptions on this is where harm can creep in. You need to know your client fully as part of a financial plan.

OK, so moving along a bit, we've also been getting a lot of questions recently about our client preference program and I want to be really clear here - giving the programme a mention isn't about product pushing. The reason people are asking is, first, that it is our new three-year campaign we are now taking out to the industry. And secondly, I think the questions are related to feeling a bit stuck and fatigued when it comes to ESG and values, et cetera.

E: Yeah, I do think that we need to summarise here a bit first for all our listeners on the client preference program, just so that everyone is clear what we're talking about. So I can do that very briefly. Our client preference program or CPP is about normalising one simple

thing across financial advice. And this is that advisors routinely give every investment client the opportunity to express their preferences and objectives across all pathways. So that can be conventional investing with ESG for sustainability outcomes or values related.

So the CPP is not a product framework, and it's not about promoting any particular investment approach or outcomes. It is a process.

And at its core, it's about process quality and consistency. So this means every firm and all advisors making sure that preference conversations are client-led, neutral and embedded in existing advice workflows rather than being optional or could perhaps or avoided altogether at worst.

L: Yeah, and to add a bit more on that explainer, the programme is designed around the reality of advice meetings. It recognises that advisors are time-pressured, risk-aware and understandably cautious about language. So the focus is on simple, clear questions, sensible framing and avoiding assumptions. And in practice, what this really means is that it's about helping advisors evidence what they are doing already. That they've genuinely asked, listened and reflected on client preferences where relevant. Whether a client chooses conventional investing or something else.

E: Yeah, and this is why it links so closely to the consumer duty. So the CPP in supporting better client understanding, clearer suitability and fewer misunderstandings down the line, gives firms a reference or a cross-checking point to finesse if needed their current processes. So many firms are there already. What we're doing is just saying that we just want to see client preferences fully evidenced, recognised and standardised as good practice.

L: This is really exciting. I know when I've been with advice firms in some of the sessions we run, there's a real sense of the advisor being stuck between wanting to do the right thing for clients and then not wanting to open conversations that might feel political, ideological or even risky.

E: Yeah, I think that that's a really good point and it is why the language and process that is used matters so much.

L: So to recap a little, it's about creating space in the advice process for clients to tell you what matters to them, if anything does. And to ensure clients are able to say if they have any preferences, they need to know what options are available. And I think importantly, it really leans into the informed decision element of the consumer duty.

Providing information to clients, ideally before a meeting, about what high-level investment pathways are available, will ensure that clients are able to express any preferences. For many, conventional investing with ESG is a bit of a no-brainer. Others may want a sustainable option, and existing clients may just confirm that they are perfectly happy with what the advisor has always done. But assuming this on behalf of the client, who has not been given the information on their choices, starts to be problematic.

So, within our client preference program, knowing your client fully means understanding their financial objectives, knowing their risk tolerance and capacity for loss, and knowing if they have any preferences about the way their money is invested.

E: It's so interesting, isn't it? You're going to have me quoting the Financial Life Survey again in a minute. I actually, I know, actually, I think I'm going to have to because it is super relevant to what you just said. In the latest FCA Financial Life Survey, this is the 2024

edition with 17,950 interviews conducted. The findings show that 76 % of adults with any investments or a DC pension thought it important to be asked if they wish to invest responsibly when selecting a pension or receiving advice. So it's an important and very relevant result for advisors and their advice processes.

In response to what you were saying just a moment ago before that, Lee, I think I also want to share for our compliance friends out there, the relevant regulations are, of course, consumer duty and COBS. OK, so the third cross-cutting rule of the consumer duty is to enable and support retail customers to pursue their financial objectives. So that requires firms to ensure products like funds meet the needs and objectives of their target market, which can include non-financial goals. And then, of course, the conduct of business sourcebook covers suitability and it requires to understand a client's objectives, risk profile and ability to bear risks, which helps frame how non-financial goals fit into the overall investment suitability.

L: Okay, we will add these to the show notes for everyone if they want to refresh their rulebook expertise. Something for the weekend perhaps.

Okay, I think Elly, that what you're saying is the client's objectives are not limited to maximising returns alone. For some people, investing in a way that aligns with their beliefs is part of the objective. For others, it may not be. The advisor's role is to explain, understand and evidence then include the preferences in any investments if and where appropriate.

Okay, shall we talk briefly about consumer understanding now as well? We've touched on this a little already, but let's try and work out where things could start to go wrong.

So, okay, I'm just gonna throw this out there. Okay, asking a client whether they have sustainability preference is meaningless if they don't understand what the question even means. Over to you, Elly.

E: Yeah, that's a big statement for sure. But I think it's where we could actually see suboptimal client outcomes. It's where the client is nodding along with the advisor or the client is saying yes because they think they're supposed to or that they're not fully engaged or that they're saying no because the language feels loaded.

Basically, this is all quite simply resolved and that can be by providing clear, neutral, pre-meeting information across all investment pathways. So it's quite simple. Okay, and moving on again, I think that we've wrapped up the client preference program quite well with all of that, but we do have more to come on that as we move through the year, including our Client Preference Ready badge for advice firms, which will be coming soon.

So this brings us to vulnerability, and this is a big one as well.

Okay, we've previously promised on this podcast to talk about vulnerability again. So as a lead into our next episode, where we look at vulnerability in more detail, I think it would be greatly for you to update everyone on your takeaways from the Consumer Duty Alliance event that you attended in Wales last week.

L: Okay. Yeah, thanks, Elly. It really was a great event. Firstly, I'd like to thank Consumer Duty Alliance for organising such an interesting and effective event. It was really helpful to hear from the FCA over a number of sessions covering consumer duty, of course, as well as issues around vulnerability.

Now, I've got a few takeaways from the event. From the sessions themselves, sometimes it really is the most simple reminders that help us focus the mind. Keith Richards, CEO of the CDA, confirmed that consumer duty is a very new way of regulating. It is not about ticking boxes, it's outcomes based. You and I can unpick the importance of this later.

So next really is Nick Hume from the FCA, where he talked about consumer duty and vulnerability.

Now what I found particularly interesting is that the FCA see vulnerability has a great cross check for and indicator of whether a firm is fully embracing consumer duty. Okay, so those are some of the session highlights.

That neatly leads into a quick summary of some of the discussions I had with advisors who came over to the inner court stand. Probably one of the most common statements I heard from advisors was, yes, we asked the ESG question in our fact find. Now, I was able to reassure them that at least they were raising the subject and were on the way to ensuring that their clients were able to make an informed choice, but it was only a first step. Thankfully, I could confirm that it was in fact really easy to ensure that clients could make an informed choice simply by using our free suitability tools.

Changing the subject, one lady asked a really good question. She said, can you explain how knowing what a client's personal beliefs are helps with vulnerability and how that is connected to the Equality Act? Now, I know we'll be touching on this later in the podcast and in greater detail in the next podcast. So I'll leave my event summary here and ask you, Elly, if you have any immediate thoughts.

E: Yeah, well first thing is that it sounds like a really really great event and I wish that I could have joined you. So thank you for doing it - being In Accord. It was, yeah, it sounds great.

So, yeah next month's podcast we will cover vulnerability with some special guests in more detail, but for now, yeah, I think I'd like to just quickly add to the point that you raised about the FCA seeing vulnerability as a great cross-check indicator on whether a firm is fully embracing the consumer duty.

This sparked my interest because in December, the FCA released its policy statement, the PS 25/19, improving the complaints reporting process. So the policy statement revamps how complaints data is collected. And importantly, it requires firms to report on vulnerability in structured fields. And this means not just having a policy.

So under the new regime for every complaint reported, firms must now indicate both the complaints where the customer has been identified as vulnerable and the complaints where the issue was caused or made worse by the firm's failure to consider vulnerability characteristics. So from this, firms will need to treat customer vulnerability as measurable risk. And I think things have officially shifted with this. Having a vulnerability policy is not enough alone. Firms have to have the data.

L: Yeah, great. I'm looking forward to the next podcast on this. In the meantime, if you can't wait to get more acquainted with the intersection of vulnerability, we have just added our vulnerability, protected characteristics and client values, practical guide and checklist to the Accord Initiative website. It's free to access. So head on over and log in. We'll also add the PDF to the show notes.

And I've got a quick reflection before we leave today, as well if I may. There was a recent Professional Advisor piece that caught my eye and I'd like to point it out to our listeners as another warmup to next month's podcast on vulnerability.

The article by Shriya Patel at Collegiate Underwriting summed up very well how the dynamic nature of vulnerability makes it harder to define and very important for advisors to handle well.

E: Yeah, that's so relevant when we start thinking about things like climate change and client values being interrelated with vulnerability. It's a good article and a link to that will be in the show notes as well so everyone can have a read.

So just to recap, we've got lots of show notes again. We will include links for the Global Risks Report, the HM Government Nature Security Assessment, the Professional Advisor article that we just mentioned, and links to Consumer Duty, COBS and the Accord Initiative site, and also a link to our vulnerability protected characteristics and client values practical guide and checklist as a PDF for advisors.

L: Okay, and with that, I think we've brought everything in accord, haven't we?

E: Yeah, yes we have. So I love it that we say that now. So as always, if today's conversation has sparked questions or reflections, please do get in touch.

L: Yeah, and if you've got any thoughts, want to share experiences or have any topics you'd like us to cover, please do let us know.

E: Yep, and don't forget to subscribe to Accord Talks and a very big thank you, as always, to our Accord Initiative partners who make it possible for us to spend the time producing these podcasts for you.

L: Thanks for listening.

E: We've loved it, we hope that you have too.

SHOW NOTES

World Economic Forum - Global Risks Report 2026 <https://www.weforum.org/publications/global-risks-report-2026/>

Global biodiversity loss, ecosystem collapse and national security A national security assessment <https://www.gov.uk/government/publications/nature-security-assessment-on-global-biodiversity-loss-ecosystem-collapse-and-national-security>

Consumer Duty <https://www.fca.org.uk/publications/policy-statements/ps22-9-new-consumer-duty>

COBS9 <https://handbook.fca.org.uk/handbook/COBS/9?date=2023-06-22&view=chapter>

Accord Initiative -free-to-access education, practical resources and compliance support for advisers, including accredited learning, structured guidance and tools designed to ensure client preferences are identified, evidenced and reflected consistently across advice processes. Resources are made freely available with the support of industry partners. www.accordinitiative.com

In ACCORD Vulnerability, protected characteristics & client values - practical guide & checklist
<https://www.esgaccord.co.uk/wp-content/uploads/2026/01/Vulnerability-protected-characteristics-client-values-practical-guide-checklist-.pdf>

Shriya Patel at Collegiate Underwriting: Meeting the needs of vulnerable consumers in financial services 'The dynamic nature of vulnerability can make determining who's in scope complicated'
<https://www.professionaladviser.com/opinion/4523745/meeting-vulnerable-consumers-financial-services>