

BOX 1: different types of vulnerability



Potentially vulnerable – If a client is currently able to manage their finances, make informed decisions, and is not at risk of detriment due to their situation, then they are neither vulnerable or particularly vulnerable. Instead, they simply remain as *potentially vulnerable*. Why is this? At present we might be able to manage our finances, make informed decisions about these finances, and not be experiencing harm, loss or disadvantage. However, in the future, this could change.

We could, for example, develop an unexpected health condition which affects our ability to earn money (an individual factor), experience an unwelcome change in our wider circumstances (such as the need to provide regular care to a family member), or be disadvantaged through the actions of our 'creditors' and 'advice agencies'. While we may be fine at present, things can change – and in this respect, we are all potentially vulnerable to detriment.



Vulnerable – these are clients who are currently in a situation which means they are more likely to experience harm, loss, or disadvantage than other consumers. These clients will hopefully be identified as being in a vulnerable situation by their adviser and creditors, and will also hopefully receive help and assistance to avoid detriment to them. The creditor or adviser's aim here is to return the client back to the potentially vulnerable category (although this may take time).



Particularly vulnerable – these are clients who are currently at a greatly heightened risk of experiencing detriment compared to the majority of vulnerable clients. This detriment could also be far more serious in terms of its negative impact on the client's situation, and could also be far more imminent. These clients need to be quickly identified by advisers and creditors, and action needs to be swift and effective to avoid significant harm. While the FCA do not provide a definition of particularly vulnerable, the FCA regulations do identify clients with mental capacity limitations and mental health problems as particularly vulnerable to detriment.

Like traffic lights, clients can move from green to red status, as well as from red to green.

