

Suitability reports

This factsheet is for you if:

- you prepare suitability letters to be issued to private customers; or
- you monitor the quality of suitability letters others produce to issue to private customers.

It forms part of a toolkit you can use to review your firm's suitability reports and consider if any improvements are required. It is designed to help the firms help themselves and reflects information we have found at firms demonstrating what appears to us to be good practice.

How you use it may depend on your business model and the services you provide.

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Suitability letters should be fair, clear and not misleading. They should serve their purpose, which is to explain to the customer how and why your recommendations meet the customer's needs and personal goals.

In particular, you should consider whether your suitability letter:

- 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, or have presented 'focused' advice only; and
- highlights how the customer will be advantaged or disadvantaged by the advice

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In preparing and issuing your suitability letters, you should also bear in mind that overly long suitability letters may reduce a customer's ability to consider the recommendations being made. An alternative may be to attach appendices containing technical information.

Good practice examples:

A clear summary of a customer's objectives, needs, priorities and relevant existing investments, demonstrating the adviser has taken account of these.

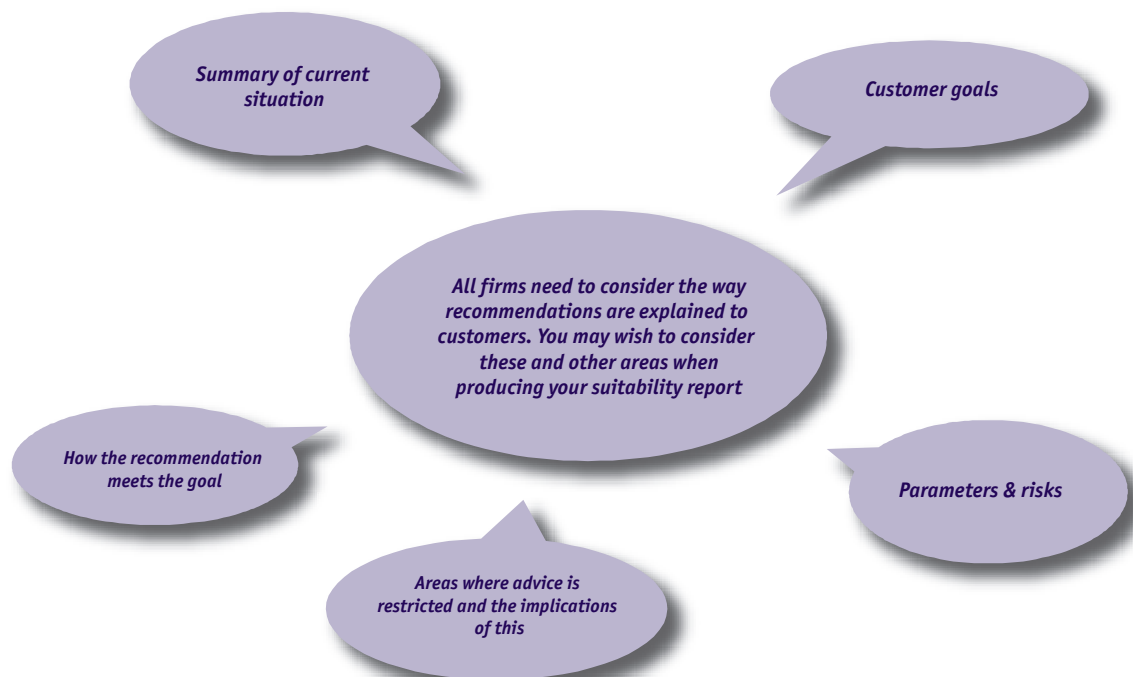
Use of bold text to highlight key risks and changes associated with the recommendations.

Use of the customer's own words taken from file notes, to add relevance to the recommendations.

Reports sent to customers in advance of second meeting and fully discussed at the meeting.

Do your reports contain the appropriate information?

Suitability reports



This list is not exhaustive, but indicates some of the topics seen in firms suitability reports reviewed by the FSA, many of which demonstrate behaviours we wish to encourage. The adviser toolkit provides you with more examples of the subjects you could include. These examples are based on responses from advisers, who are already successfully applying these practices in their businesses.

Further help:

The Toolkit: <http://www.fsa.gov.uk/smallfirms>