Thistle Initiatives

Fact Finding
Know Your Client

The Adviser's Blueprint
Best Practice Guides for Retail Advisers
03

Every firm wants to deliver great advice. But consistency, evidence and oversight can make that harder than it sounds.

With Consumer Duty now firmly embedded and regulatory scrutiny increasing, firms are under growing pressure to evidence the quality and consistency of their advice. The challenge lies in turning those expectations into practical, repeatable processes that work in the real world.

These guides bring clarity to every stage of the advice journey by translating regulation into practical action. We want to help firms move beyond tick box compliance to effective practice, ensuring advice processes are compliant, well governed and truly client centred.

By focusing on what works in practice, The Adviser's Blueprint helps your firm to build stronger frameworks, enhance client trust and stay ahead of regulatory change.

1. What's the Purpose?

Fact-finding and knowing your customer is more than filling in a form or ticking a regulatory box, it's the foundation of delivering truly suitable advice. Effective KYC (Know Your Customer) goes beyond capturing factual data; it's about understanding the client's personal circumstances, values, preferences, attitudes, and motivations. Without this, even the best-designed plan can miss the mark.

Done properly, KYC builds trust, makes recommendations easier to explain and justify, and provides the evidence the FCA expects to see that your advice is firmly anchored to the client's reality.

2. What does Good Look Like?

We all know it's possible to complete a KYC form and still walk away without really knowing the client. Too often, the process stops at names, dates, income, and assets. All this is needed and all technically "complete", but lacking the context and colour that makes the information truly useful.

A good KYC paints a full picture of the client's life, their priorities, pressures, ambitions, habits, preferences, and potential vulnerabilities. It's about going beyond the numbers to understand why they make certain financial choices, what they want their money to do for them, and how they feel about risk, security, and trade-offs. The strongest KYC records make it easy for anyone to see exactly who the client is, what matters most to them, and how those factors shape the advice they receive.

By following the guidance in this section, you'll be able to create a KYC record that is not only factually accurate but also rich in insight, turning a compliance requirement into a powerful tool for delivering truly personalised, defensible advice.

I. Information is comprehensive, accurate, and current

Every key detail, from income and outgoings to asset values, liabilities, and personal circumstances, should be confirmed with the client, not estimated or guessed by the adviser. Assumptions can lead to flawed recommendations, and under regulatory scrutiny, it's hard to justify decisions based on incomplete or assumed information.

Accuracy also means timeliness: what was correct last year might now be outdated, so ensure all data is refreshed at least annually or when circumstances change.

Poor: "Salary £40,000 (approx), mortgage £150,000, savings around £10k."

Good: "Salary £41,750 gross, mortgage £148,230 (repayment, fixed until May 2027), savings £10,562 across ISA and instant-access account."

II. Covers personal, financial, and behavioural factors

Personal factors include family circumstances, career plans, lifestyle priorities, health, and future aspirations.

Financial factors cover assets, liabilities, income, expenditure, protection arrangements, and existing investments.

Behavioural factors reveal the client's money habits, previous financial experiences, risk tolerance, and emotional responses to gains or losses.

By capturing all three dimensions, you create a fuller picture that not only supports suitable recommendations but also makes it easier to anticipate how the client might react to different scenarios.

Poor: "Married, two children, £50k income, £200k mortgage."	**Good:** "Married to Emma (self-employed graphic designer). Two children, aged 6 and 9. Joint household income £78,000. Mortgage £200,000 on a repayment basis, fixed until 2026. Enjoys regular family holidays abroad and prioritises funding these over paying off the mortgage. Both are cautious about investment risk after Emma lost money in a previous investment scheme. Prefer gradual, steady growth over high volatility."

III. Capture client preferences and priorities in their own words

A good KYC doesn't just record the numbers, it captures the story behind them. The notes sections within the fact find are there for a reason, and should be fully utilised to record the so-called soft facts. These are the personal details, motivations, and preferences that shape a client's decisions.

While hard facts like salary, mortgage balance, and pension values are essential, soft facts such as "why early retirement matters" or "why they avoid certain investments" are often what drive the advice. These insights reveal the why behind the what, giving depth and meaning to the data. They also provide powerful evidence for the FCA that your recommendations are client-led, not adviser or product-led.

Capturing this in the client's own words makes it even stronger. A sentence like: "I want to retire at 60 so I can spend more time travelling while I'm still fit and active" has more impact, and more value in justifying your recommendations, than a generic "Client would like to retire early."

IV. Identify potential vulnerabilities and record how these are to be addressed

The FCA expects every aspect of the financial planning process to be viewed through a vulnerability lens, meaning you should always be considering whether a client might require additional support, and how you will provide it. This isn't a one-off question; it's an ongoing mindset that runs through fact-finding, recommendations, and ongoing service.

Potential vulnerabilities are not always obvious. They may only come to light through deeper, more open conversations that explore life events, health, financial capability, and emotional factors. This means you need to ask sensitively, listen carefully, and avoid making assumptions.

Some advisers worry that recording a client as potentially vulnerable might complicate the advice process or delay decisions. In reality, as long as the right level of support is provided and clearly documented, there is no reason you cannot proceed. In fact, failing to recognise or record a vulnerability when it exists creates far greater regulatory and client risk.

The key is to understand what the client considers their additional support needs to be and how they'd like the service personalised to make it easy and comfortable for them to engage.

For some, it might be as simple as allowing extra time in meetings; for others, it might involve providing written follow-ups in plain English, or ensuring a trusted family member is present for key discussions.

Not all clients will see themselves as vulnerable, so it's essential to evidence your thought process within the KYC record, even if the conclusion is that no additional support is currently required. This shows that you've considered it, discussed it, and taken a proactive approach.

Poor: "No vulnerabilities." (Recorded without discussion or evidence.)	**Good:** "Client does not consider themselves vulnerable but has mild hearing loss in one ear. Prefers written follow ups to all meetings to ensure full understanding. Advised that they can bring their daughter to meetings if they wish. This has been noted on file and will be reviewed at the annual review."

3. What Approach Should I Take?

By taking a structured yet conversational approach, you not only capture the information the regulator expects but also develop a richer understanding of the client's needs. This strengthens the personal relevance of your recommendations, increases client trust and engagement, and creates a clear evidential trail that shows your advice is firmly client-led.

I. Prepare Before the Meeting

A great KYC often starts before you've even spoken to the client. Take time to review existing records, past advice, and any pre-meeting questionnaires so you're not covering old ground unnecessarily. Spotting gaps in advance means you can focus your questions where they'll add the most value, making the conversation smoother, more relevant, and more engaging for the client.

II. Funnel your questions to get to the details

The best KYC conversations don't start with "How much do you earn?" Instead, they start with an open invitation for the client to talk about their life. Begin with broad, open questions that encourage them to share their lifestyle, goals, challenges, and motivations in their own words. Once you've built that big-picture view, you can drill down into the specifics like income, assets, liabilities, dependants, and financial commitments.

For example:

- Rather than opening with "What's your annual income?", you might ask, "Tell me about your work. What does a typical week look like for you? How long do you see yourself doing that?" This naturally leads to salary, bonuses, and career plans without it feeling like a questionnaire.

- Similarly, instead of "Do you have a mortgage?", you could start with, "Talk me through your current home. How long have you lived there? What are your longer-term plans with the house?" From here, you can move into the mortgage balance, repayment type, and term.

This approach keeps the conversation flowing, helps clients feel more at ease, and often uncovers valuable context that wouldn't surface if you jumped straight to the numbers.

III. Understand Financial Experiences, Attitude to Risk & Investment Comfort

Don't forget, KYC isn't just about what the client has today. It's also about understanding their financial journey so far and how that shapes the way they make decisions. Past experiences, both good and bad, can strongly influence a client's comfort with risk, their openness to certain products, and how much reassurance or information they need before committing. If you don't explore this, you risk recommending something that technically "fits" but emotionally doesn't land.

Digging into these areas also helps spot potential barriers early. A client who once lost money in a high-risk scheme may instinctively shy away from equities, while someone who's only ever used cash savings might need more education before feeling comfortable investing. Their decision-making style also shapes how you present recommendations.

Examples:

- "What experiences have you had, either positive or negative, with financial products or investments in the past?"
- "What does the word Risk mean to you? When thinking about yourself, how risky do you consider yourself to be in everyday life?"
- "Why do you feel the need to take a risk with this money?"
- "How easy do you find making important decisions?"
- "Who do you normally talk important decisions through with?"

IV. Identify Potential Vulnerabilities

Conversations about vulnerability need to be handled carefully. You're not there to diagnose or label, you're there to understand whether anything might affect how the client receives, understands, or acts on your advice, and what extra support (if any) they might need. The key is to build trust first, then weave these questions naturally fit into the broader KYC discussion so they feel like part of the overall fact-finding, not a separate interrogation.

Some vulnerabilities are temporary, others are permanent; some are obvious, others are invisible. The FCA groups these into four broad areas: health, life events, resilience, and capability, and your KYC process should give each a moment of consideration. Even a few carefully chosen questions can reveal valuable insight and help you adapt your service appropriately.

Examples:

- **Health (physical or mental)**

  Question: "Is there anything about your health that might affect the way you make decisions or how you'd like us to communicate with you?"

  KYC entry: "Client has arthritis in hands; prefers online signing where possible rather than completing lengthy paper forms."

- **Life events**

  Question: "Have there been any recent changes in your life, or do you expect any big changes soon, that might affect your finances?"

  KYC entry: "Client recently separated from partner; would like all correspondence sent via email for privacy and to the new residential address only."

- **Resilience (financial or emotional)**

  Question: "If you faced a sudden expense or loss of income, how prepared do you feel you'd be to cope with it?"

  KYC entry: "Client has three months' expenses in savings; no income protection in place. Might struggle to cover mortgage if unable to work."

- **Capability (financial knowledge or confidence)**

  Question: "When it comes to financial matters, how confident do you feel making decisions, and is there any additional information that would help you feel more comfortable?"

  KYC entry: "Client describes themselves as a 'novice' investor; requests more visual explanations of projections and prefers examples over jargon."

V. Check Accuracy and Understanding

Before you move on from the KYC stage, take a moment to play back what you've captured. Summarising back to the client ensures you've understood them correctly, gives them a chance to clarify or add detail, and demonstrates that you've been actively listening. It's a simple step that can prevent costly misunderstandings later in the advice process.

4. How Can I Avoid Common Pitfalls?

Avoid leaving missing or incomplete data

One of the simplest and most common weaknesses in a KYC record is leaving sections blank. To a regulator or file reviewer, a blank space doesn't necessarily mean "not applicable". It could just as easily mean the question was never asked, or the detail was overlooked. That uncertainty is a risk, because it raises doubts about whether the advice was based on a full understanding of the client's circumstances.

If a section isn't relevant to the advice being given, don't leave it empty, make a brief note explaining why. For example, in a section on protection needs, you might write, "Client is single with no dependants. No current need for life cover identified." This shows the topic was discussed, considered, and a conscious conclusion reached.

By explicitly stating why an area doesn't apply, you not only demonstrate thoroughness, but you also protect yourself from the suggestion that something was missed. A well-documented "not applicable" is far stronger evidence than an unexplained gap.

Balancing the Detail in the Joint KYC

When carrying out a joint review, your KYC should give equal weight to both clients' information. It's not enough to lump figures together, e.g. stating "savings of £150,000" without showing that £100,000 belongs to Mr and £50,000 to Mrs, will miss important context and could distort the advice. The same goes for views and preferences. Your notes should capture how each person feels, even if their opinions align. Incomplete or aggregated data in a joint case can give the impression that one client's circumstances or priorities weren't fully considered, which could be seen as failing to take all material information into account when forming recommendations.

Don't underestimate the value of and requirement for quality supporting notes

Supporting notes aren't just a "nice to have", they're a regulatory expectation and a vital part of evidencing that you've truly understood your client. The fact find boxes and ticked options might capture the hard facts, but it's the notes that bring the KYC to life. They explain the why behind the numbers, provide context for decisions, and show the depth of the conversation you've had.

Too often, notes are either sparse or generic, e.g. "Discussed risk," or "Client wants to save for the future" , which does little to demonstrate the quality of the discussion or the client's specific needs. Quality notes should be detailed, personalised, and written in plain language, ideally using the client's own words where possible. They should capture the soft facts, emotional drivers, and individual preferences that shaped the advice.

From a compliance perspective, comprehensive notes protect you. They show the regulator, the file checker, or even a future you (who might not remember every conversation) exactly why certain recommendations were made. From a client perspective, they make it clear you've been listening and that the advice reflects their unique situation.

Don't forget, your fact find should contain all the information you're likely to require for your justification within the suitability report. This includes evidence of the client's objectives!

A well-completed fact find with strong supporting notes can be the difference between an advice file that simply meets minimum standards and one that demonstrates best practice, evidences Consumer Duty in action, and is easy to defend under scrutiny.

Keep it Relevant

A strong fact find isn't about gathering every possible detail just to look thorough. It's about collecting the information that is genuinely needed to assess whether your advice is suitable. The FCA is clear that suitability hinges on understanding the client's circumstances, objectives, and preferences in context, not on padding a file with irrelevant data that adds no value to the advice process.

This means focusing on what will directly inform your recommendations, rather than following a rigid checklist for the sake of completion. A 'tick-box' approach might capture the right headings, but it often misses the real meaning behind the information and can result in either irrelevant facts cluttering the file or key soft facts being overlooked entirely.

Relevance is about quality over quantity: the right information, captured accurately, explained clearly, and linked directly to how it impacts the advice. It's the difference between "Client has a pet dog" (irrelevant unless you're planning for pet care costs) and "Client intends to retire early to spend more time travelling with their spouse" (critical to understanding timescales and income needs).

5. Our summary

We've explored how to:

- ✓ Prepare properly before the meeting so you know where to probe deeper.
- ✓ Start broad and narrow in, combining open conversation with targeted fact-gathering.
- ✓ Explore past financial experiences, attitudes to risk, and decision-making styles.
- ✓ Identify potential vulnerabilities and document how they're supported.
- ✓ Record information in the client's own words, using the notes section to capture soft facts.
- ✓ Keep the KYC relevant, avoiding a tick box or irrelevant data gathering approach.
- ✓ Ensure completeness by addressing missing or non-applicable sections in the notes.
- ✓ Give equal importance to each person's details in joint cases.
- ✓ Maintain quality supporting notes to evidence the depth of conversation.
- ✓ Keep the KYC current by reviewing and updating whenever circumstances change.

6. Our Checklist

Use this checklist to confirm that each step of your fact-finding and knowing your customer truly understands the client and provides evidence to the FCA's expectations and client understanding.

- ☐ Reviewed existing records before the meeting to identify gaps.
- ☐ Started with open questions before drilling into specifics.
- ☐ Captured both hard facts and soft facts.
- ☐ Recorded client statements in their own words.
- ☐ Explored past financial experiences, risk attitudes, and decision-making style.
- ☐ Identified and documented any potential vulnerabilities and agreed support measures.
- ☐ Kept all data relevant to the advice being given.
- ☐ Explained why any section is not applicable rather than leaving it blank.
- ☐ Given equal attention to each client in joint cases.
- ☐ Included detailed, personalised supporting notes.
- ☐ Updated the KYC to reflect any changes in circumstances.

About the Author

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With more than 25 years' experience in financial services, Paul has dedicated his career to promoting compliance and regulatory excellence, helping firms operate securely and with strong governance. His background across retail and corporate advisory environments gives him a deep understanding of diverse financial needs and regulatory challenges.

Specialising in compliance oversight for complex, fast-evolving organisations, Paul develops practical solutions that align regulatory expectations with business objectives. A strong advocate for training and competence development, he helps individuals and teams understand how effective compliance supports sustainable success and long-term growth.