Technical Connection

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CHARGEABLE EVENT GAINS, TOP-SLICING RELIEF AND THE PERSONAL ALLOWANCE

In the last bulletin we included an article entitled 'Chargeable Event Gains, Top-Slicing Relief And The Personal Allowance – An Important Update'. In that article we reported that HMRC had confirmed the tax treatment of chargeable event gains for the whole of the 2019/20 tax year following its decision to withdraw its appeal in the Silver case.

Subsequently, on 24 July HMRC confirmed to the Chartered Institute of Taxation (CIOT) that the tax treatment of chargeable event gains arising in tax year 2018/19 would be the same as for tax year 2019/20.

What follows is an updated version of the previous article with additional information, confirmed by HMRC, on the position as regards chargeable event gains which have arisen before the 2018/19 tax year and which will be dealt with on the "old" basis.

The updated position is as follows:

HMRC has confirmed how the chargeable event rules will interact with an individual's entitlement to a personal allowance for chargeable event gains that arise (or are treated as arising) in tax years 2018/19, 2019/20 and later. The position on chargeable event gains that arose (or were treated as arising) before tax year 2018/19 is still far from clear following HMRC's decision to withdraw its appeal in the Silver case.

As is well known, when a person's adjusted net income exceeds £100,000, the personal allowance is gradually eroded by £1 for every £2 of excess income. So, on the basis of a personal allowance of £12,500, entitlement to the personal allowance is totally lost when adjusted net income is £125,000 or more.

In the past, in calculating top-slicing relief under a life policy (say an investment bond) HMRC has always taken the view that it is the full chargeable event gain that is included in adjusted net income – and not the top-sliced gain. This view was challenged in the Silver case where Mrs Silver maintained that only the top-sliced gain should be taken into account for the purposes of determining whether the personal allowance applies in calculating the tax on the top-sliced gain, in the second part of the top-slicing relief calculation, and the First-tier Tribunal (FTT) upheld her claim. HMRC appealed this decision to the Upper Tribunal.

Proposals in the 2020 Budget, in effect, brought in provisions that mean that in future it will be only the top-sliced gain that is taken into account as adjusted net income (ANI) for the purposes of entitlement to a personal allowance in the second part of the top-slicing relief calculation. Originally, in general terms, this only applied to chargeable event gains that arise on or after 11 March 2020.

Here's what HMRC originally said in their Agent Update 78:

"…These new rules will apply to gains arising on or after 11 March 2020, however, we will also apply these new rules to all gains arising in 2019-20 as a concessionary treatment. …The Insurance Policyholder Taxation Manual (IPTM) chapters 3820-3850 will be updated to reflect these changes and provide additional examples of how the relief is calculated in practice.

An exclusion will be included on the e-filing exclusion list for 2019-20 to reflect these changes. This means that for 2019-20, affected customers will receive a correction calculation from HMRC applying the new basis. No customer will receive less relief than was previously calculated by HMRC.

For returns submitted for 2020-21 onwards, the calculation for Top Slicing Relief will be calculated automatically as part of the self-assessment process.

We are aware that the calculation for TSR has created some uncertainty for you and your customers, and we thank you for your patience and ongoing support."

However, HMRC has now said that this will apply to all chargeable event gains arising in the 2018/19 and 2019/20 tax years. On Friday 24 July the Chartered Institute of Taxation (CIOT) published the following:

"On 20 July, HMRC confirmed to us that the mode of calculation as set out in the March Budget (and which is now included in the Finance Act) will now be applied, according to HMRC 'by concession', to any gains in **both** 2018/19 and 2019/20 tax years. This is an extension of the position in Agent Update 78, which indicated that HMRC would only be applying the new Finance Bill provisions to 2019/20 gains."

"HMRC guidance on factsheets HS320 and HS321 will be updated in due course, along with HMRC manuals. Further details, including a Q&A, will be published in HMRC's August

Agent Update 79."

Those gains arising before the 2018/19 tax year will still be dealt with on the "old" basis.

Had the HMRC appeal in the Silver case gone ahead, and the Upper Tribunal had found in favour of the taxpayer, that decision would have been binding on other taxpayers. This would have meant that other taxpayers who had overpaid tax under the previous HMRC interpretation in tax years before 2018/19 could have recovered tax from HMRC.

People who may be in this position would have been individuals whose adjusted net income with inclusion of the full chargeable event gain took them over £100,000, but with inclusion of the top-sliced gain kept their ANI below £100,000.

2019/20 tax returns

According to HMRC's latest Agent Update, those submitting (or who have already submitted) a tax return that includes a chargeable event gain arising in the tax year 2019/20 should receive a correction calculation from HMRC applying the new basis.

However, HMRC has now told the CIOT that any taxpayer affected by this in 2019/20 (who hasn't already submitted their return) will need to file a paper return, for HMRC to process manually. (See number 116 on HMRC's latest exclusion list from online filing for 2019/20).

2018/19 tax returns

HMRC has already started an automatic process to identify any taxpayers who submitted a tax return in 2018/19 and should have benefited from more of their personal allowance in their top-slicing computation. Taxpayers should be contacted directly by HMRC.

2016/17 and 2017/18 returns

As regards those people who have chargeable event gains that arose in 2016/17 and 2017/18, they could make a repayment claim. However, there is no guarantee that HMRC will accept such a claim because the FTT decision in Silver is not binding on all other cases and each case has its own individual circumstances and facts.

HMRC has told the CIOT that where the return is under enquiry because the taxpayer has interpreted the legislation to give a *Silver*-style calculation rather than accept the HMRC method, it will be taking steps to close these enquiries down.

However, HMRC hasn't said whether a taxpayer in the opposite position – who followed HMRC's method in those years but see that they could have benefited from the *Silver* approach - can now claim a refund. Without further HMRC guidance on those cases where the chargeable event gain was taxable in 2017/18 and before those policyholders who are affected will need to lodge their own appeal against HMRC if they believe they have overpaid tax. This will inevitably involve expense. We are hopeful of further guidance in the next Agent Update.

CHARGING CGT ON MAIN RESIDENCES

A paper from a cross-party think tank has proposed introducing capital gains tax on main residences as a way to meet the costs of the Covid-19 pandemic.

Capital gains tax seems to be enjoying its 15 minutes of fame. On 13 July 2020 the Chancellor asked the Office of Tax Simplification to review the tax. Now the Social Market Foundation (SMF), a cross-party think tank, has published a paper suggesting the abolition of private residence relief and the introduction of a new property capital gains tax (PCGT). It may all sound too radical for Rishi, but the paper does present an interesting set of proposals:

Household Equity There is an old joke that when asked why he robbed banks, Willie Sutton said "because that's where the money is'. To some extent the SMF paper follows the same principle: if the Government needs substantially extra tax revenue, then a good point is to look at where the wealth is. This table, taken from the paper, shows why residential property is a potential answer to that 'where' question:

Age	No. of Households '000	Average Home Equity £'000	Total Equity £bn
16-24	543.0	32.1	17
25-34	3,801.0	53.7	204
35-44	4,615.5	139.1	642
45-54	5,185.5	189.4	977
55-64	4,887.0	255.8	1,250
65+	7,873.5	272.9	2,149
TOTAL	26,878.5 *(sic)*		5,239

The data, for 2018/19, comes from the Ministry of Housing, Communities and Local Government and covers only England. The bottom-line total equity figure of £5,239bn is 263% of UK GDP. Total Public Sector Net Debt is forecast by the Office for Budget Responsibility (OBR) to be 104.1% of GDP by next March.

Property Capital Gains Tax (PCGT) This would be a 'simple' tax based on the difference between a main residence's purchase and sale prices. PCGT would be payable at the time of the sale or on the death of the last living owner. In both instances that means the tax becomes payable only when cash also becomes available. The paper suggests a rate of 10%, but accepts it could be lower ('more saleable, politically') or graduated. PCGT would apply to all gains, including those accrued before the introduction of the tax (which the paper estimates as £4,200bn).

Scrap Inheritance Tax The paper proposes that a corollary of PCGT's introduction – and its payment on death – would be the abolition of inheritance tax (IHT) on main residences. It is estimated that the move would halve IHT revenue. However, the paper's calculation is based on HMRC data for 2016/17, a period before the residence nil rate band (RNRB) was introduced, so the IHT loss today is likely to be a smaller proportion. Although the paper does not say so, the implied demise of the labyrinthine RNRB legislation would arguably be a welcome collateral benefit.

Abolish Stamp Duty Land Tax Set alongside IHT abolition is a suggestion that the revenue raised by PCGT would also allow Stamp Duty Land Tax (SDLT) to be scrapped for main residence purchases (it would remain in its current form for additional dwellings). Such a reform would mean that the bulk of the tax on property sales would switch from being paid by the purchaser to falling on the seller. The paper acknowledges what the Chancellor seemed to have ignored in his Summer Statement: scrapping SDLT will disadvantage first-time buyers, who would otherwise benefit from some tax exemption. A new (unspecified) type of financial assistance for first-time buyers is therefore proposed, costing about £600m a year.

Implementation The paper makes several points about how PCGT and the other tax changes would be implemented. For example, to avoid a cliff edge, it suggests PCGT could be phased in with 2% increments each year over five years, assuming a 10% rate was the final goal. There is an obvious advantage to the tax in that, unlike many other tax proposals (e.g. wealth tax), PCGT produces an annual income for the Exchequer while not being an annual tax on the individual.

In terms of the net revenue raised, the paper is somewhat vague, adopting the dubious Gordon Brown tactic of a cumulative value – in this instance £421bn over the next 25 years, 'albeit not evenly distributed over time'. The weight of payment would be towards the early years because of the inclusion of historic gains, many of which would be held by those who will not survive the next 20 years.

COMMENT

While the SMF is a cross-party think tank, the paper's author, Michael Johnson, has often written reports for the Centre for Policy Studies (CPS). The CPS is closely linked to the Conservatives (it was founded by Sir Keith Joseph and Margaret Thatcher).

INHERITANCES AND EQUALITY BETWEEN GENERATIONS

The Institute for Fiscal Studies (IFS) has published a report on likely future inheritances. Its focus is on inequality, but the background information contained in it raises some interesting estate planning issues.

Intergenerational inequality is a subject which has attracted much attention from a variety of think tanks and other bodies in recent times. The Institute for Fiscal Studies (IFS) has itself regularly dealt with the topic, but its latest paper is rather different, in that it is looking at inheritance and inequality *within* generations.

The authors consider the inheritances that are likely to be received by those living in England who were born in the 1960s, 1970s and 1980s, when they are likely to be received and how much they will be. The work combines data from three main sources: the Office for National Statistics (ONS) Longitudinal Study of England and Wales, the English Longitudinal Study of Ageing and the ONS Wealth and Assets Survey. Its findings include:

The next generation isn't richer On average, people born in each decade since the 1960s have no more wealth than people born a decade earlier had at the same age. However, the amount of wealth held by *their parents* is higher than that of their predecessors. For example, people born in the 1980s have parents with average household wealth of about £370,000 (in 2017/18 terms), over 40% higher in real terms than the average sum held by the parents of those born in the 1970s, when they were at the same age.

Unequal distribution It will be no surprise that parental wealth is 'very unequally distributed'. 20% of people born in the 1980s have parents with wealth per inheriting child of less than £10,000, but 25% have per-child parental wealth of £300,000 or more. 10% have £530,000 or more. All the figures have been adjusted to allow for inheritance tax (IHT).

Education and location Level of education and region are strong predictors of parental wealth. On average, graduates born in the 1980s have parents with about 70% more wealth than the parents of people born at the same time who have no more than GCSEs. Children of Londoners have parents with over twice as much wealth, on average, as those whose parents live in the North East. Unsurprisingly, most of that difference is down to greater housing wealth.

It's a long wait The average age of people when their last-surviving parent dies is expected to rise from 58 for those born in the 1960s to 62 for those born in the 1970s and 64 for those born in the 1980s. Using detailed mortality data that takes account of marital and education status, the IFS estimates that about a third of people born in the 1980s will not receive their inheritance – assuming it arrives on the second parent's death – until they themselves are in at least their 70s. This is largely down to increased life expectancy for the parents.

As the IFS notes, some will benefit from wealth earlier by virtue of lifetime gifts, but 'the natural tendency will be for wealth transfers to occur later and later'. The IFS draws on other research that shows, for example, that for those with no surviving spouse:

- 75% of those with housing wealth bequeathed at least some of it to their children; and

- 60% of those with non-housing wealth gave the entirety of this wealth to their children.

It is arguable that if the 'children' do not inherit until they themselves have retired, more wealth may skip a generation (by will or deed of variation) in the future.

Later is richer Higher levels of parental wealth and fewer siblings are expected to result in larger individual inheritances for those born later. While there is no certainty what will happen to parents' wealth over the rest of their lifetime, the IFS gives inheritance estimates assuming today's parents accumulate or spend down wealth in a similar way to their predecessors as they age. On that theoretical basis, the median inheritance for those born in the 1980s is expected to be around £136,000 (again in 2017/18 terms), compared with £107,000 for those born in the 1970s and £66,000 for those born in the 1960s.

Thinking in terms of average lifetime earnings The IFS calculations suggest that inheritances are not only likely to become larger in absolute terms, but also larger relative to average lifetime earnings. For example, the projected median inheritance of the 1960s generation will be worth 8% of their average lifetime earnings, but that proportion will rise to 14% for the 1980s-born generation. The IFS comes up with a surprising projection using this inheritance viewpoint: one in three of those born in the 1980s will receive an inheritance worth more than 10 years of their generation's average annual earnings.

Inequalities remain the same Inheritances are expected to reflect the unequal distribution of parental wealth. 20% of those born in the 1980s are expected to inherit less than £10,000, while 25% are expected to inherit over £280,000. 1980s-born graduates are expected to inherit almost twice as much, on average, as those born in the same decade who only have GCSE qualifications, though these inheritances represent a very similar proportion of each group's average lifetime earnings.

Despite these differences, the distribution of inheritances is not expected to become any more unequal. The amount received by the top 10% of inheritors is expected to rise from over £260,000 to almost £500,000 when comparing those born in the 1960s and those born in the 1980s, a rise of

84%. But the equivalent percentage increase at the 75th percentile is 87%, while the median inheritance is expected to more than double.

COMMENT

The IFS rightly notes that the paper relies on pre-COVID-19 data. The post-COVID future is uncertain: it threatens a weaker economy and thus less wealth to pass down the generations, but lower average earnings too.

CHANGES TO THE TREATMENT OF TERMINATION PAYMENTS AND POST-EMPLOYMENT NOTICE PAY FOR INCOME TAX

HMRC has recently published a policy paper entitled, 'Changes to the treatment of termination payments and post-employment notice pay for Income Tax'.

Broadly, the part of a termination payment which is treated as being a payment in respect of the employee's notice period, which is subject to income tax and both employee's and employer's National Insurance contributions, is called 'the Post-Employment Notice Pay' (PENP).

HMRC is proposing to amend the rules for the calculation of PENP on termination payments from 6 April 2021 to ensure that all payments are calculated on a consistent basis regardless of how an employee is paid.

Broadly, an alternative calculation will be possible in order to calculate PENP which will affect employees who have a pay period defined in months, but a contractual notice period defined in weeks or days, or where the post-employment notice period is not a whole number of months.

Draft legislation together with an explanatory note has been published to ensure that all employee PENP payments are calculated on a consistent basis. The legislation will also be amended to ensure that those who are non-resident will be charged to the UK income tax and National Insurance contributions on any PENP to the extent that their period of notice would have been worked in the UK.

NEW ONLINE SERVICE FOR THE LPA PROCESS

The Office of the Public Guardian (OPG) has launched a new digital LPA tool, which will help those acting as an attorney to contact organisations, such as banks, insurance companies and healthcare providers, more easily.

The new service was launched by the OPG on 17 July. It is important to stress at the outset that this is only a tool for attorneys of certain registered Lasting Powers of Attorney (LPAs). There is no proposal at present to digitalise the actual process of setting up an LPA.

The new tool works like this. Once an LPA is registered, attorneys and donors will be sent an activation key to allow them to create an account online and add the LPA to that account. They can then create an access code that they can give to any other relevant organisation, so that it can view an online summary of the LPA and authenticate its holder. This should enable attorneys to more easily confirm their authority to act where necessary, replacing the current paper-based system that can take weeks, while maintaining the current safeguards to protect the donor from abuse by someone posing as an attorney, says the OPG.

The service is being rolled out first for LPAs registered from 17 July 2020, although the OPG is now working on extending it to LPAs registered earlier in 2020, and some from 2019. It does not have a date for this extension yet, and has no current plans for opening up the service to LPAs registered before 2019 (there are apparently over 4 million registered LPAs in total).

Whilst on the subject of LPAs we can report that, in April, the OPG advised deputies and attorneys in England and Wales that they cannot temporarily give up or delegate their role if they cannot visit the protected person during the Covid-19 crisis, even if they themselves are in isolation or shielding because of Government guidelines.
'During the coronavirus outbreak, your role and responsibilities as a deputy or attorney remain the same', the OPG's guidance states. 'If you are self-isolating or shielding, you must continue to make decisions for [the protected person P]. You cannot ask anyone else to make those decisions for you.' However, attorneys and deputies can make a decision and ask someone else to carry it out.

The OPG has also issued guidance for people who have not yet granted an LPA but who may need someone to look after their affairs during the outbreak. It advises against organising house visits to get the LPA signed and witnessed, and suggests posting the form to the signatories instead.

It may be appropriate to remind that, as with Wills, completing an LPA is still a paper exercise. Although the document can be prepared electronically, it is compulsory for the parties signing an LPA to do so in person using a wet signature. Digital signatures are not acceptable.

While some Covid-19 restrictions have been lifted, the requirements for social distancing mean that there may still be some difficulty ensuring that the LPA is executed properly.

It is important to remember that all the parties, i.e. the donor, the attorney(s) and the certificate provider, if required, must sign the same original document, in a set order, although they do not need to sign it at the same time, so the document can be posted between them.

And while the Ministry of Justice has recently announced **that Will signing may be witnessed by a videolink, the same is not proposed for LPAs.** A witness must be physically present and watch the donor signing the LPA, and then sign it themselves to say they have witnessed the signature. Similarly, each attorney's signature must be witnessed. A friend or neighbour can do this at a distance outside the house. A signature can be witnessed through a closed transparent window.

COMMENT

One of the effects of the pandemic has been to increase awareness of the need to put one's financial affairs in order. Just as there has been visibly increased demand for Will writing, many individuals have wanted to make an LPA just in case their capacity, mental or physical, should become impaired. LPAs are often a useful topic to start a conversation about estate planning.

VIDEO-WITNESSING OF WILLS ALLOWED IN ENGLAND AND WALES

On 25 July the Government announced that witnessing a Will via a video-link will be legal during the pandemic in England and Wales.

In some earlier articles we highlighted the problems with Will execution during the current social distancing/self isolation period, namely the difficulties with complying with the requirement under English law that two witnesses, who are physically present, are necessary for a Will to be legally valid.

At last the Government has listened to calls for temporary legislative measures to help deal with this problem and it proposes to introduce new legislation in September allowing the signing of Wills made in England and Wales to be witnessed remotely by a video-link.

The reforms will be backdated to 31 January 2020 and will remain in place as long as necessary, initially for two years.

Already some people, while isolating or shielding, have understandably turned to video-link software as a solution – for example via platforms such as Zoom or FaceTime or Skype.

Under the new law Wills witnessed in such a way will be deemed legal, as long as the quality of the sound and video is sufficient to see and hear what is happening at the time.

The new law will amend the Wills Act 1837 to stipulate that where Wills must be signed in the 'presence' of at least two witnesses, their presence can be either physical or virtual.

Wills still need to be signed by two witnesses who are not beneficiaries under the Will and electronic signatures will not be permitted.

Simplifying the process of making a Will? – video - witnessing

The Ministry of Justice (MoJ) has issued some very detailed guidance on video-witnessing and signing and witnessing a Will by video-link.

Briefly, the existing requirements are that a witness must have a 'clear line of sight' of the Will-maker signing and must understand that they are witnessing and acknowledging the signing of the document. These requirements remain.

The person making the Will must also have a clear line of sight of the witnesses signing the Will to confirm they have witnessed the Will-maker's signature (or someone signing on their behalf and at their direction). The type of video-conferencing or device used is not important.

Some additional words should be included in the Will to indicate the adopted process of witnessing, for example:

'I [   ], wish to make a Will of my own free will and sign it here before these witnesses, who are witnessing me doing this remotely'.

Witnessing pre-recorded videos will not be permissible.

Signing and witnessing by video-link is a four or five stage process, with stages one, two and four/five in a video-link, and preferably recorded with the recording being retained:

Stage 1:

Ensuring that the witnesses are in the right location and understand their role, and verification of identity.

Stage 2:

The witnesses' confirmation that they can see, hear and understand their role in witnessing the signing of a legal document. If the two witnesses are not physically present with each other they must be present at the same time by way of a two or three-way video-link. The testator signs the Will in their presence.

Stage 3:

The Will document must be taken to the two witnesses for them to sign, ideally within 24 hours (it may be posted). It must be the same document (no counterparts allowed).

A Will is fully validated only when the testator (or someone at their direction) and both witnesses have signed it and either been witnessed signing it, or have acknowledged their signatures to the testator. If the testator dies before the full process has taken place, the partly completed Will is not legally effective.

Stage 4:

The two witnesses must sign the Will document – this will normally involve the testator seeing both of the witnesses sign and acknowledging they have seen them sign. Both parties (the witness and the testator) must be able to see and understand what is happening.

Stage 5:

If the two witnesses are not physically present with each other when they sign then step 4 will need to take place twice.

It is recommended that the attestation clause (i.e. the part of the Will that deals with the witnessing of the Will) is revised to mention that virtual witnessing has occurred, along with details of whether a recording is available.

In Scotland, the Scottish Law Society introduced new guidance allowing for video-witnessing of Wills in certain circumstances in April, so it is good to see the MoJ catching up.

COMMENT

The Government has decided not to allow electronic signatures as part of this temporary legislation due to the risks of undue influence or fraud against the person making the Will, which were identified by the Law Commission in its 2017 consultation paper on Wills. The Law Commission is still considering the possibility of allowing electronic Wills in the future.

The proposals have been generally welcomed by practitioners including the Law Society and STEP. However, some sceptics (or perhaps those who do not yet fully embrace the digital world) do foresee the potential for an increase in disputes and, indeed, some question the extent to which this change will be useful, given the requirements for technology (other than when the witnessing is organised by a solicitor) as well as the need for the witnesses to still attest the actual Wills in wet ink.

VULNERABLE CLIENTS – NEW FCA GUIDANCE

According to the Financial Conduct Authority (FCA), more than 24 million people display one or more potential characteristics of vulnerability – which include physical and mental health issues, recent life events such as bereavement, capability and financial resilience. Over a million people received debt advice last year.

The FCA has now set out new guidance for firms to do more to protect vulnerable consumers. This follows on from a period of consultation last year.

The FCA says that, following feedback from a range of bodies including consumer organisations, firms and trade bodies, it found many examples of good practice and firms thinking carefully about their customers and potential vulnerability. However, the FCA is also aware of cases where vulnerability is either not considered by firms or positively exploited for gain.
The new guidance aims to provide a framework that allows all firms to accurately assess whether they are treating vulnerable consumers fairly, ensuring consistency across the financial services sector.

It sets out the most relevant Principles underpinning the need for firms to take particular care in the treatment of vulnerable consumers:

- Principle 2: Skill, care and diligence. A firm must conduct its business with due skill, care and diligence.

- Principle 3: Management and control. A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

- Principle 6: Customers' interests. A firm must pay due regard to the interests of its customers and treat them fairly.

- Principle 7: Communications with clients. A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

- Principle 9: Customers: relationships of trust. A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgement.

The key Principle underpinning the need for firms to take particular care in the treatment of vulnerable consumers is Principle 6 above – Customers' interests. The guidance sets out six outcomes under Principle 6 that firms should strive to achieve:

- Outcome 1: consumers can be confident they are dealing with firms where the fair treatment of customers is central to the corporate culture.

- Outcome 2: products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

- Outcome 3: consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

- Outcome 4: where consumers receive advice, the advice is suitable and takes account of their circumstances.

- Outcome 5: consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.

- Outcome 6: consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Beyond specific interactions with consumers, the guidance states that firms should integrate an understanding of the needs of vulnerable consumers into their business. To meet the requirements of Principles 2 and 3, this means ensuring the business and staff have the necessary knowledge and skills to treat vulnerable consumers fairly, and that there are adequate processes and control systems in place to ensure the firm is mitigating the risk of harm to vulnerable consumers.

Full guidance on this subject can be found at Annex 4 of the FCA's: 'Draft Guidance for firms on the fair treatment of vulnerable consumers'.

Alongside the guidance, the FCA has also published research on vulnerable consumers' experiences of dealing with financial services firms. The research, which includes 21 in-depth case studies of consumers displaying a range of indicators of vulnerability, highlights four key themes for firms:

- Recognising vulnerability and understanding customers' needs;
- The value of sympathy;
- The importance of empowered and knowledgeable staff;
- Meeting vulnerable consumers' communication needs.

Christopher Woolard, interim Chief Executive at the FCA, said the new guidance:

"… sets out what firms should do to ensure vulnerable consumers are being treated fairly. We know many more customers will be struggling with their finances as a result of the impact of coronavirus. Supporting vulnerable consumers is a key focus for the FCA, and the coronavirus crisis has only highlighted its importance."

"While many firms do excellent work to support their vulnerable customers, we will not hesitate to step in where others do not."

The new guidance is open for consultation until 30 September 2020. Depending on responses to this consultation, the FCA plans to finalise the guidance later in 2020 or early in 2021.

INCOME WITHDRAWAL RATE FOR AUGUST 2020

The appropriate gilt yield, used to determine the 'relevant annuity rate' from HMRC's tables for an adult member commencing income withdrawals (or reaching an income withdrawal review date), in August 2020 is 0.5%.