

# Consumer Duty – Investment Information for the LV= Smoothed Managed Funds ISA Series 1 for the ISA or JISA Portfolio investment

## Including target market, fair value, and customer vulnerability statements

Note that this document does not cover the LV= Platform or the ISA or JISA Portfolio investments that are available as tax-wrappers on the Platform. The product manufacturer of the LV= Platform is Embark Investment Services Limited (EISL), and a separate 'Assessment of Fair Value' document is available which covers LV= Platform Services and the tax wrappers available. This includes full details of the Platform's target market.

This document only covers LV= Smoothed Managed Funds, which is an investment choice under the ISA or JISA Portfolio.

### Investment Type

A single contribution policy invested in LV's Smoothed Managed Funds, which is an investment of an ISA or JISA Portfolio held on the LV= Platform.

### Investment Description

The LV= Smoothed Managed Funds ISA Series 1 for the ISA or JISA Portfolio investment ('LV= Smoothed ISA') is a stocks and shares investment primarily suitable to attain capital growth. The plan offers a unique averaging mechanism which aims to reduce the impact of short-term market volatility.

The LV= Smoothed ISA is an investment option available through the LV= Platform Services ISA or JISA Portfolio. All investments into the plan, and proceeds paid from it, must be via the LV= Platform Services ISA or JISA Portfolio bank account.

We offer a range of risk-rated funds that invest in a mixture of different assets and offer the potential for smoothed investment growth. Clients can invest in one fund option at a time in each LV= Smoothed ISA. Multiple LV= Smoothed ISAs are allowed, subject to a maximum investment amount across all Smoothed Managed Funds held by a member.

### Investment Objective

To enable the planholder to make lump sum investments in LV's Smoothed Managed Funds, providing them with the potential for capital growth while still allowing them to make ad-hoc withdrawals from their investment into their LV= Platform Services ISA or JISA Portfolio bank account.

### Investment Holding Time

The plan has no fixed term but we would expect a client to invest for at least 5 years and ideally 10 years or more.

### Investment Features

- A range of unitised with-profits risk-rated investment fund options.
- A unique averaging mechanism to reduce the impact of short-term market volatility.
- A unitised investment with the option for withdrawals to be paid into the LV= Platform Services ISA or JISA Portfolio bank account.

More detailed information, which includes the product investment limits and basis, as well as a description of costs and charges, can be found in our Product Profile document.

### Eligibility Criteria

- To apply, clients must be aged between 0 to 89 years of age and have an account set up on the LV= Platform.
- Investment into the LV= Smoothed ISA will not be permitted within 12 months of full surrender of another LV= Smoothed ISA (or full surrender of the last plan if multiple plans are held).

### Distribution strategy

To ensure your client receives an investment that is right for them we believe the LV= Smoothed Managed Funds ISA Series 1 for the ISA Portfolio investment should be sold on an advised basis, whether this is face to face or over the phone. It's important to regularly review your client's circumstances and needs to make sure their investment is appropriate.

Our pricing is consistent across all our channels of distribution. Firms that sell the investment must have current terms of business agreement in place with LV=. These can range from restricted (tied, multi-tied and whole of market) and independent advisers.

### Target market

We believe the LV= Smoothed ISA is likely to appeal to:

- Customers with lump sums or ISA transfers to invest via the LV= Platform Services ISA or JISA Portfolio.
- Those who wish to invest some or all of their ISA allowance within a smoothed environment.
- Those who are looking for a less volatile investment experience or those seeking better potential investment returns than they receive from cash deposits.

Our funds are independently risk-rated by multiple agencies helping you to match the right fund option to your client's risk appetite.



**We believe that the investment is:**

#### **suitable for individuals who**

- Wish to invest a lump sum for at least 5 years and ideally 10 years or more.
- Want to choose a fund to match their risk appetite.
- Understand the risks associated with stock market related investments and are willing to accept them in exchange for potential growth in their investment.
- Wish to invest some or all of their ISA money within a smoothed environment and understand that although they won't suffer from the full effects of any downfalls in the market, they won't benefit from the full upside of any market rises as well.
- Want to achieve investment growth on their ISA savings with the option to have withdrawals paid into their LV= Platform Services ISA or JISA Portfolio bank account.

#### **unsuitable for individuals who**

- Don't wish to invest for the long term.
- Don't understand the risks associated with stock market related investments.
- Don't wish to invest funds in a smoothed environment, but prefer a higher risk, more volatile investment strategy.
- Don't understand the potential impacts of large and frequent withdrawals on their investment.

This is a stock market investment so your client isn't certain to make a profit and may get back less than they invested.

The averaging mechanism (smoothing) can be suspended at our discretion. This may be in exceptional conditions or if the underlying price was 80% or less of the averaged price. If smoothing was suspended the funds will typically be valued using the underlying price or, at our discretion, a gradual averaged price.

#### **Providing Fair Value**

Before launch a review of the smoothed investments was conducted following principles set out in our Fair Value Framework. These principles are designed to ensure that the price the customer pays is reasonable compared to the overall benefits. They take account of the investment charges paid by your client, and performance and service. An annual review will be conducted going forwards from the first-year anniversary.

Our key fair value assessments areas reviewed annually are:

#### **Assessment Area - Features**

##### **Assessment Criteria**

- Needs of target market
- Competitor comparison

##### **What this means**

- We assess that the benefits and limitations of the investment to ensure it continues to meet the needs, characteristics and objectives of the target market.
- We regularly compare investment features with those of our competitors to ensure we offer flexibility to your clients throughout the lifetime of their investment.

#### **Assessment Area - Services**

##### **Assessment Criteria**

- Quality of service delivered
- Customer satisfaction
- Intermediary feedback

##### **What this means**

- We assess the quality of service we provide to you and your clients using a variety of tools (including complaints MI) and take action where needed to ensure good outcomes for our customers, including vulnerable customers.
- Our servicing processes are assessed to identify where we can make efficiencies and streamline processes making us easy to do business with.
- Customer satisfaction will be monitored monthly at wrapper level, with post-sales suitability surveys completed on new business annually. Adviser feedback is also collected. Feedback used as appropriate to deliver communication that is engaging and easy to understand.
- Ensuring our servicing teams are appropriately trained and able to recognise and support vulnerable customers through training policy, practices and established processes.

#### **Assessment Area - Pricing**

##### **Assessment Criteria**

- Investment costs/pricing
- Profit margins
- Competitor Comparison

##### **What this means**

- Our pricing of the smoothed investments are monitored regularly to ensure we remain competitive and in line with our Fair Value Framework. The principles underpinning our assessments include that a) profits are not excessive for the investment, b) the rate of return a customer might expect to receive is realistic, providing value for money and c) we take account of the overall cost compared to the price and quality of the investment and service provided.
- Our charging structure is clear and transparent with no hidden costs. Plan literature clearly explains how charges are taken with an appropriate charges document clearly setting out the charges your client will pay at outset. No discretionary charges are applied although we do have the ability to switch off smoothing on our Smoothed Managed Funds range.

Our assessment confirms:

- The smoothed funds remain consistent with the needs of the identified target market.
- They provide fair value to customers, including vulnerable customers.
- The intended distribution strategy remains appropriate.

#### **Customer Vulnerability**

At LV= we consider the needs of all our customers, including those with vulnerabilities, across all aspects of investment development and throughout the life of a customer's investment with us in line with the FCA Vulnerable Customer Guidance.

A vulnerable customer is someone who, due to their personal circumstance, is especially susceptible to detriment, particularly where a firm is not acting with appropriate levels of care.

The main drivers of customer vulnerability are

| Vulnerability Characteristic     | Why  |
|----------------------------------|--|
| Health                           | A customer may find themselves with a condition or illness that affects their ability to complete day-to-day tasks, both mentally and physically. When we suffer from ill health, it can greatly reduce our capabilities. For customers who have long-term health conditions, are living with pain, are battling addiction or undergoing treatment, everyday tasks become a greater challenge.       |
| Life Events                      | Throughout a person's life, they will experience different life events. Some may result in things becoming more difficult or complicated. Examples of life events that may put a customer in a position of vulnerability include bereavement, redundancy or a relationship breakdown. Other events include taking on care responsibilities or being a victim of crime or involvement in an accident. |
| Resilience                       | A customer may have a low ability to withstand financial or emotional shocks. Such shocks can occur from ill health or challenging life events. For example, someone on a low income, with little savings, may be less resilient to the financial shock of a life event. Without support, their situation can quickly worsen, leading to debt and stress.  |
| Capability                       | A customer may have low knowledge of financial matters, low confidence in managing and making decisions about their investment or have little digital skills. This could make accessing the product features difficult, as they may be unfamiliar with how to get information or find it difficult to understand.  |
| Capacity in financial difficulty | What is the customer's ability to absorb falls in the value of their investment. If any loss of capital would have a materially detrimental effect on their standard of living or investment composure, this should be taken into account when assessing the risk that they are able to take when investing in the plan.   |

Customer vulnerabilities are expected to change over the life time of our investments due to the long-term nature of them but also over the shorter term in relation to life events that can create unexpected vulnerabilities.

## How we strive to achieve good outcomes for our vulnerable customers

To help achieve good outcomes for all our customers, including those with vulnerabilities we:

- Have a customer focussed culture giving you and our customers confidence that we treat each individual fairly as a priority, and that all LV= colleagues will act with integrity and have the competence to do so.
- Focus on how we can support all customers with a vulnerability through training, policy, sharing knowledge and experience.
- Have a dedicated support structure that our customer facing teams can draw on in order to support vulnerable customers in conversations for example, Vulnerable Customer Champions across the business and an appropriate internal forum to identify areas of continuous improvement.
- Provide customer communications that is accessible, clear, fair and not misleading. We aim to keep customers informed throughout their relationship with us, making it easy for all to engage with us, to help them make informed decisions.
- Understand the needs of our target and existing customer base and design fair, transparent and accessible propositions, which we regularly review so that customers can be confident they will perform as expected and deliver value.
- Monitor the quality of the service we deliver on an ongoing basis (including complaints data) and are accountable for any action taken if there is any impact on customer outcomes.
- Help you support your clients who are more vulnerable with the aid of our Vulnerable Customer Guide for Advisers.

If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

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