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Clive Parker

Financial Conduct Authority

Via Email: cp19-12@fca.org.uk

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Response to Consultation on Investment Platforms Market Study Remedies: CP19-12

Dear Mr Parker,

Here are some comments on the above Report, and answers to the questions posed in the Report.

I write as a retail investor who currently uses four different on-line platforms as well as a more traditional stockbroker. My holdings include those in ISAs, SIPPs and direct holdings including the use of Personal Crest accounts in one case. I have also used Hargreaves Lansdown in the past but transferred to another platform because of their increased charges. That transfer took over 3 months in 2014 which I considered totally unreasonable. Another transfer between different platforms took 3 months in 2015. I wrote on behalf of ShareSoc to the FCA to complain about those and other transfer delays experienced by ShareSoc Members in 2015. Not much seems to have improved so far as transfers are concerned in the last few years so it is good that you brought forward some proposals to improve matters.

But I would like to repeat a couple of paragraphs that were included in my previous response to the Interim Report (which can be read in full here: https://www.roliscon.com/Investment-Platforms-Market-Study.pdf):

"It is unfortunately the case that the development of on-line platforms and the ISA and SIPP regulations which require the use of nominee accounts have resulted in a very anti-competitive environment. Platform operators have effectively succeeded in locking-in their clients for their own commercial benefit. Although the clients can in theory transfer to other platform operators in reality this has been deliberately made to be difficult in my view which is why so few people do it. I suggest a more fundamental review of how investment ownership is recorded (i.e. share and fund registration systems) needs to be undertaken and legislation put in place to reform it. At present the systems appear to have been devised for the primary benefit of the platform operators and not their clients, the investors". Latest comment: nothing of significance has been proposed to resolve that basic failure.

“I encourage the FCA to take strong and vigorous steps to ensure that transfers are done more promptly by imposing financial penalties on operators who do not meet specific timescales – see my answer to Question 17 below. There should be a clear objective to reduce transfer times to under ten days within the next 2 years. Currently there is a lot of talk but little action in actually improving matters because platform operators seem to have little incentive to make it a priority. The slowness of transfers at present contributes to an uncompetitive market for platform services”. Latest comment: the latest proposals will not achieve the reduction in transfer times to anywhere near my suggested timescale and there are no proposals for penalties needed to achieve them.

As regards the specific questions posed in your Consultation, I have supplied answers in the Appendix that follows:

Yours sincerely

Roger W. Lawson
Managing Director

Appendix – Answers to Questions

Q1: Are you aware of any material obstacles firms may face in implementing the proposed requirement that consumers moving investments in units in funds common to the ceding and receiving platforms should be given the option of an 'in-specie' transfer (in addition to other options the platform may offer)?

Answer: No

Q2: Are you aware of any material obstacles firms may face in implementing the proposed requirement that ceding platforms should request conversions on behalf of consumers, where this is necessary to support the consumer's request to transfer their units to a new platform on an 'in-specie' basis?

Answer: No

Q3: Are there any circumstances where platforms would not be able to take the necessary steps to bring about the conversion of unit classes to enable an 'in-specie' transfer? For example, would our rule need to apply to other firms that may be involved in the process?

Answer: Not aware of any.

Q4: Do you agree that receiving platforms, as part of the transfer process, should give consumers the option to request conversion of their units into a discounted unit class, where this is available to them at the receiving platform? If not, why?

Answer: Yes I agree.

Q5: Do you agree with the planned implementation date of 31 July 2020? If not, why not, and what alternative timeframe would you suggest?

Answer: I disagree with the proposed implementation date which is way too far in the future. Three months' notice should be perfectly adequate for such a change and it is simply unacceptable that the current practices be allowed to continue for another year.

Q6: Do you agree that an exit fee should be defined as in paragraphs 4.10-4.11 above, and should include all charges associated with consumers' exit from the service?

Answer: Yes I agree. Note also that in para 4.2 you suggest that a ban on exit fees should only apply to "new business" – that is unreasonable – it should apply to all current and new accounts held by consumers.

Q7: If you do not agree with our proposed definition, what charges should be excluded and how should exit fees be defined?

Answer: N/A

Q8: To what extent would the banning of exit fees mitigate barriers to switching in relation to platforms and firms offering comparable services?

Answer: It will only mitigate barriers significantly to switching if steps are taken to not obstruct switching by unreasonable delays in actually achieving a transfer.

Q9: If we introduce a ban or cap on exit fees, should it apply to firms offering comparable services as scoped in paragraph 4.16? If no what are the reasons why a ban/cap should or should not apply to particular types of firm or service?

Answer: Yes it should apply.

Q10: If your firm is in the wider scope of comparable firms as describe in paragraph 4.16, do you currently apply any exit fees associate with these services? If so, please describe the nature of these fees.

Answer: N/A.

Q11: If your firm currently charges exit fees (as defined in paragraphs 4.10-4.11), what would be the impact of a ban on these fees? For example, do you envisage that other charges would be implemented or raised to compensate for the loss of income?

Answer: N/A.

Q12: If your firm is a product manufacturer as well as a distributor as defined, what exit fees are applied within the products and services you offer to clients? If such fees exist, please provide a rationale for this charging model.

Answer: N/A.

Q13: How might a ban on exit fees be defined in such a way as to avoid a 'waterbed effect' whereby firms are able to replace them with new product/wrapper-related exit charges?

Answer: N/A.

Q14: How prevalent are cases where product-related exit fees pose a similar or greater barrier to switching in the investment platforms and comparable services market?

Answer: N/A.

Q15: What is your view on the IPMS Final Report's conclusion that a ban on exit fees would be more appropriate than a cap? If you disagree with the proposal, please provide your reasons.

Answer: I totally agree that a ban on exit fees would be more effective than a cap. A capped fee would still discourage transfers.

Q16: What is your view on the reasonableness of allowing the recovery of third-party costs?

Answer: I am not aware of any significant third-party costs at present and clearly a ban on exit fees could be circumvented if recovery of third-party costs was permitted by just contracting out the work required to a third party. For those reasons I suggest recovery of third-party costs should not be permitted.

Q17: Do you agree with our Cost Benefit Analysis? If not, please explain why and provide details.

Answer: The cost/benefit analysis looks reasonable. There need to be strong financial incentives for firms to improve the transfer processes.