

Press Statement – SCM Direct, 5th April 2018

SCM Direct Statement In Response to the FCA Publication Setting Out Next Steps to Improve Competition in the UK's asset management Industry

It is shocking how long it has taken the FCA to achieve nothing more than restating the obvious. They have dealt with important but relatively minor negative industry malpractices, such as box profits, but not the substantive issue of misleading fees through the various distribution channels.

In a separate, **Occasional Paper No. 32: Now you see it: drawing attention to charges in the asset management industry**, it is good to see that the FCA finds how important it is to disclose costs and charges in a clear and meaningful way, as this leads to consumers buying cheaper funds. They have also found, apparently in some magical 'now you see it' moment, that costs alone are not the biggest buying trigger. Through our True and Fair Campaign, we have always said that consumers need to see the true level of costs, then balance this with the likely risk and return.

Even though the FCA's own interim and final Asset Management Study revealed an anti-competitive and opaque industry, the FCA's announcement today is completely silent on actions they will take for flagrant breaches and potentially illegal activity by those it regulates regarding fees and charges disclosure required under MiFID II.

Kicking the issue into the long grass yet again, is an indictment of an industry and regulator that both refuse to protect consumers. The FCA sighs the work being done by the Institutional Disclosure Working Group but this is only for institutional investors. Ordinary consumers continue to be treated as second class citizens by the FCA and industry.

MiFID II came into force on 3rd January 2018 and legally requires companies to reveal the total costs to consumers as a percentage and in £, and that all communications should be clear, fair and not misleading. However, SCM Direct has recently sent a 90+ page dossier revealing industry wide non-compliance with these two key consumer protections.

SCM believes that the FCA continues to let down ordinary UK consumers by failing to ensure integrity and competition operates within the UK asset management industry. SCM Direct estimates that within the fund costs and charges level alone, the failure by the FCA to enforce the costs and charges provisions within Article 24 of MiFID II is costing UK consumers between £903 million and £3.3 billion per annum. Evidence compiled by SCM between February and March 2018, amounts to a damning dossier of the UK industry and suggests that several FCA regulated firms may have committed a criminal offence of 'misleading statements and impressions'.

SCM has written to the FCA requesting an immediate investigation into non-compliance of Article 24 of MiFID II, making it clear that any firm choosing not to comply with the costs and charges provision and the "clear, fair and not misleading" provision by the end of June 2018, should self-report their failure with an explanation for why they have not complied with the rules.

SCM has also requested that the FCA take firm action should it find firms have committed the criminal offence of 'misleading statements and impressions', and consider launching prosecutions. The FCA should

also set up a retail taskforce to ensure an industry wide mandated common costs and charges template from 1 September 2018; that is then used to show costs and charges across all client communications.

Should the FCA continue to fail ordinary consumers by not ensuring a competitive industry, SCM Direct will consider its legal remedies including seeking a Judicial Review.

End

Press contact details – please contact SCM directly:

alan@scmdirect.com – +44 (0)7715 509999

gina@scmdirect.com – +44 (0) 20 7838 8650

Notes to Editors:

- Article 24 of MiFID II requires clients to be told before they invest, the **aggregated** likely cost of **all** costs and associated costs charged. This must include **all costs related to transactions** – broker commissions, entry and exit charges, platform fees, transaction price mark ups, stamp duty, transactions tax and foreign exchange costs.
- Non-compliant firms may be breaching the FCA principles of business that requires regulated firms to ‘conduct its business with integrity’, ‘treat customers fairly’, and for all communications or financial promotions to be ‘fair, clear and not misleading’.
- Widespread non-adherence may also prevent the FCA from fulfilling its strategic objective to ensure markets function well and to ensure consumer protection, integrity and competition.
- The UK investment industry may be breaching UK Competition Law as well as legal requirements under MiFID II

SCM Direct

SCM Direct is a DIY digital wealth manager offering investors access to 3 core ETF model portfolios, 3 blended ETF model portfolios, in 3 currencies - £, € and US\$; as well as 3 ways to invest – GIA, ISA and SIPP.

Established in 2009 by Alan and Gina Miller, the aim was to launch an honest investment company that respect investors, putting their best interests at the heart of all it does, whilst stripping away layers of costs and inefficiencies; and providing 100% transparency on costs and holdings. The Millers have over 49 years’ experience in the retail financial services industry and believe that the best test of their sincerity is that they invest significant sums of their money in every model portfolio, on exactly the same terms and fees as clients.

Through their True and Fair Campaign launched in February 2012, Alan and Gina have raised awareness of anti-consumer practices including lack of fee transparency, conflicts of interest, closet indexation and research costs. They have also either contributed or influenced text in 3 EU Directives – MiFID II, PRIIPs and the Share Holder Directive.