

PRESS RELEASE – 22 MAY 2017

SCM Direct Response to the Investment Association (IA) Enhanced Disclosure of Charges and Transaction Costs - Technical Consultation 19.07.17

It is a scandal that the UK regulator, the FCA is allowing the heavily conflicted, self-interested, anti-consumer trade body, the Investment Association (IA), to be involved in a matter as fundamentally important to consumer rights and protection, such as the disclosure of charges and transaction costs.

The IA is significantly conflicted by its boards constitution, made up from some of the largest UK asset management companies with an overwhelming bias towards active management, high fees and poor fee transparency.

The IA and its predecessor (the IMA) has fought for decades to deny the existence of hidden fees, and not to mandate that its members reveal charges in an open and transparent manner. SCM Direct believes that allowing the IA to determine a fees and charges code is the equivalent of allowing criminal offenders to determine their future prison sentences.

The bias and amateurism of the IA, in particular on the subject of fees and charges, was evidenced in its publication in 2016 of the **“Hidden Fund Fees: The Loch Ness Monster of Investments?”**¹ report. This report was intellectually dishonest, highly misleading and completely bereft of substantive analysis. Its findings were based on an arbitrary 2 year and 10-month period and incorporated non-existent fund performance data and misleading benchmark comparisons. It also completely ignored the bid/offer spread element of transaction costs that can often be material within transaction costs.

The IA has neither the objectivity, expertise, culture or ethics to handle such an important code. The FCA should immediately abandon its brief to the IA to design a fee Disclosure Code and undertake this work in house as the Regulator. It is also scandalous that the IA proposed code flagrantly breaches MIFiD II’s overwhelming requirement to **aggregate all fees at all levels**.

It has already been 17 years since the original FSA report in 2000 into hidden fees and charges found at least 50% were hidden and undisclosed to ordinary pensioners and investors. The FCA must be urged to stop delegating its responsibilities to industry bodies and pursue the determination shown in its MS15/2.2. Asset Management Market Study.

[*The SCM Direct response can be found here.*](#)

END

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¹ <http://www.theinvestmentassociation.org/media-centre/press-releases/2016/hidden-fund-fees-the-lochness-monster-of-investments.html>