

The Investment Platforms Market Study (IPMS) was launched in July 2017. The FCA wanted to explore how investment platforms compete to win new consumers and retain existing ones to help it assess how it can improve competition within this market and develop better consumer outcomes.

The FCA has now confirmed its findings in the IPMS Final Report which outlines a package of remedies to address the areas of concern it has identified. Some of these remedies involve supervisory activity or ongoing monitoring of industry initiatives, others require changes to the Handbook on which it is now consulting.

### **Consultation on making transfers simpler**

The IPMS Final Report explains the FCA's concern that consumers (both advised and non-advised) often find it difficult to move from one platform to another, for reasons of time, complexity and cost. In this Consultation Paper, it sets out proposals to mitigate one of the causes of this concern. The FCA aims to make it easier for consumers to move their assets to a new platform without unnecessary liquidation of investments. The FCA is also proposing a rule to ensure that consumers who move platforms are given the option of a conversion to a discounted unit class, where this is available to them on the new platform.

### **Discussion on exit fees**

In the IPMS Final Report, the FCA states its view that a ban on platform exit fees is likely to be appropriate as a measure to reduce consumer harm. The report notes that to achieve its aim, the FCA needs to consider the scope of any such remedy, given that platforms compete in a wider retail distribution market.

The FCA is therefore seeking further views, in particular from firms that were not included in the original scope of the IPMS, on 3 areas relating to exit fees:

- How an exit fee should be defined;
- The scope of the intervention, i.e. the types of firm/service that the intervention should apply to;
- Whether the intervention should be a ban or a cap on such fees.

### **Discussion**

This thematic review seems to be focussing on customers transferring from one platform to another. This leads to the question "what is wrong with your current arrangement?" and then "what leads you to believe that the prospective provider will suit your needs better?".

For advisers, these questions of transferring have been rattling on for years. Certainly, advisers will have done due diligence on the original selection. There is the knowledge in the background that bulk transfers are frowned upon by the FCA as there is the argument about whether the transfer is suitable for all of the clients in the bulk arrangement.

It would have been very tempting for advisers to try to move their business away from platforms that struggled with re-platforming last year. But any plans to move were often made impossible by the compounded effects of the problems of re-platforming coupled with histories of poor administration.

Of course, the attraction of platforms, particularly for advisers, is that all of a client's funds are in one place. Platforms offer the opportunity to use funds from different fund houses, giving the opportunity to select "best of breed" for each of the chosen asset classes. Platforms then offer the ability to transfer between funds and fund managers within the same arrangement.

If the platform is doing its job, why would clients or advisers need to move between them? Are there some platforms that offer consistently better support services?

Each platform software looks slightly different and requires a time investment to enable the user to start getting good information efficiently. This familiarity does take time and sometimes the thought of transferring and needing to learn how to use a new system is unattractive, or even down right scary.

As far as costs are concerned, there has been a race to the bottom to remain competitive. This is quite difficult for the platforms as very few of them are profitable. Many are reliant on the support of their parent companies. There has also been some consolidation within the market to try to gain critical mass.

From the platform research that I have undertaken, the charging structures are tiered and looking at how the tiering has been designed, it becomes crystal clear of the target markets of the platforms.

Also, from looking at Defaqto star ratings, the client satisfaction seems to run in cycles for each platform. There would seem to be no platform that could claim to be "the best" for any length of time. The awards that are handed out by the industry and media tend to get spread around quite nicely.

Platforms should focus on what their clients actually want. This is simply the ability to see how the funds are worth and the ability to switch funds to encash as necessary. Most advisers already have fact finds, ATR questionnaires, asset allocation tools and other filters to help choose funds. Perhaps the platforms should stick to what they are good at.

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