

FACT SHEET

Investor Protection

Forrester-Hyde Ltd only recommend Companies who are authorised and regulated by The Financial Services Authority. The Financial Services Compensation Scheme, FSCS, is an independent body created under the Financial Services and Markets Act 2000, FSMA. The Scheme can pay compensation if a Firm is unable or likely to be unable to pay claims against it. FSCS calls itself 'A Fund of Last Resort' for customers of authorised Financial Services Firms and does not consider any claim until the authorised Firm is in default. The FSCS covers deposits, investments, general and life insurance, and arranging and giving advice on mortgages up to the following limits:-

Deposits - covers deposits up to £50,000 for each eligible claim per banking group. This increased from the previous limit of £35,000 from 7 October 2008.

Contracts of Insurance - covers long-term policies such as Life Assurance and Pension Policies up to 100% of the first £2,000, followed by 90% of the balance without limit.

Investment Business – covers up to 100% of the first £30,000 and 90% of the next £20,000 to a maximum of £48,000.

Mortgages – covers up to 100% of the first £30,000 and 90% of the next £20,000 up to a maximum of £48,000 for mortgages arranged on or after 31 October 2004.

Further information is available on the FSCS website at www.fscs.org.uk.

The FSCS will not offer compensation when:-

- An investment product makes a loss due to a fall in value
- For losses above the FSCS limit
- Where the Company is still trading
- When the Company is not authorised by the FSA
- When the Investor is classed as a large Company

The FSCS defines a large Company as having two of the following three characteristics:-

- A turnover of more than £6.5m
- A balance sheet of more than £3.26m
- An average of more than 50 employees

In practice the majority of Life Insurance Companies and Independent Trustees will be regarded as a large Company. Where the Insurance Company or Trustee offers access to an external fund or deposits managed by another financial product provider, it is the Insurance Company or Trustee which buys and holds the investment in their name that is considered the large Company. There are advantages insofar as the Company will generally have negotiated wholesale terms for the benefit of their customers. However, the large Company rule applies here and the Insurance Company or Trustee cannot claim compensation should the external Fund Manager default.

Where the external fund is an Open Ended Investment Company, OEIC, the Fund Manager is required by the FSA to appoint a Depositary who is responsible for the safekeeping of the assets. The Depositary will normally appoint a Custodian to act on their behalf. One of the Custodian's primary functions is the safekeeping of securities in Cash and Deposit Accounts held in the name of the Depositary. This has the effect of segregating the funds from the external Fund Manager's own monies thus providing a robust level of protection for the Investor in the event of insolvency of the external Fund Manager. The only circumstance that a default could in the OEIC will be in event of the Fund Manager acting dishonestly, fraudulently or negligently. Similarly, Unit Trust Trustees have a primary objective to protect the Investor.

How does this Regulation impact on the different types of Defined Contribution Pension Plan:-

- **Stakeholder and Personal Pension**

Generally speaking, these Plans are provided by an Insurance Companies who would be considered a large Company. If an Insurance Company failed it could not make a claim on behalf of its Policyholders as it is a large Company. If the investments have been registered in the name of the Trustee, the Trustee can only make a claim if the Insurance Company is in default. If the investment is in a fund provided by an external Fund Manager this is known as an external fund link. In this situation if the Insurance Company failed the Trustee would be able to claim on behalf of each member under the 'Protected Contract of Insurance' category. This covers 100% of the first £2,000 of the member's share of the Policy, including the value of the EFL fund and 90% of the balance, without limit.

- **Self-Invested Personal Pension Plan, SIPP**

The Principal advantages of saving for retirement in a Self-Invested Personal Pension, SIPP, are the flexibility and wider investment choice. When dealing with investor protection it is important to look at each asset class in turn. The position when investing through SIPPcentre, a Company in the AJ Bell Group Limited is as follows:-

- **Mutual Funds**

Mutual Funds are accessed through the Cofunds Platform so _____ can make a claim on behalf of individual SIPP members from the FSCS should the Mutual Fund Manager default and be unable to cover their liabilities. The claim will be under the Investment Business category, 100% of the first £30,000 and 90% of the next £20,000 can be claimed to a maximum of £48,000. One of the custodians primary functions is the safekeeping of securities and Cash in Deposit Accounts, held in the name of the depository. This has the effect of segregating the funds from the Mutual Fund Manager's own monies thus providing a robust level of protection for a Client's SIPP investments. In the event of insolvency of the Mutual Fund Manager the only time that _____ would need to look to the FSCS for compensation would be in the event of the Fund Manager acting dishonestly, fraudulently or negligently.

If SIPPcentre or Cofunds were to default, the Mutual Funds would still be an asset of the SIPP Scheme and would therefore be fully protected.

- **Cash**

Cash deposits within SIPP are protected under the FSCS rules. This means that SIPPcentre/Cofunds can claim up to £50,000 on behalf of each SIPP customer in the event of the Institution with whom funds are deposited defaulting on the understanding that the Account is with an FSA authorised Bank.

It is worth remembering that cash held on deposit with the Bank is not the same from a FSCS perspective as investing in an Insured Cash Fund. Cash on deposit will have an FSCS limit of £50,000 if the Bank defaults whereas the latter will be regarded as part of a contract of Insurance which allows compensation up to 100% of the first £2,000 and 90% of the balance without limit if the Insurer defaults. If the Insurer invests some of the Insured Cash Fund in a Bank that defaults the Insurer cannot claim, as it is a large Company, but it will use a number of Banks to minimise default risk in the fund.

- **Property**

If the SIPPcentre Client invests in Commercial Property the property is owned by SIPPcentre in its capacity as Trustee. This means that in the event of SIPPcentre defaulting the property will still be an asset of the SIPP Scheme and would therefore be fully protected.

- **Shares**

If the SIPPcentre Client purchases through a Discretionary Fund Manager, a Stock Broker, the DFM is obliged to keep Client Assets separate from its own assets. If the DFM defaults there is normally no need to make a claim on the FSCS as the assets are still owned by SIPPcentre and can therefore be recovered in full. If Shares are purchased on either an Advisory basis or on the Investors instruction through a low cost dealing facility the Shares will in any event be held by SIPPcentre in Trust for the Investors benefit.

- **Summary**

Recent events which have affected global financial markets and the impact they have had on some Financial Institutions have clearly heightened concern about the security of Investors savings. Against this background we believe that saving for retirement in a SIPPcentre SIPP should ensure the security of the investment whichever asset class is selected.

Forrester-Hyde Ltd

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