

## Will our financial service providers talk to us? And can we talk to each other?

by *Martin White*

### Background

European Pensions Management Limited (EPML) has been my SIPP manager for over 10 years. What attracted me to them is the fact that they don't make an annual percentage charge. Even 0.5% would cost me thousands per annum, but I pay something like £300 per annum. I make all the investment decisions of course.

They provide the trustee service, and you choose which stockbroking account you use. So I use Selftrade, through whom I discovered EPML, again no percentage charge, just a fixed £100 per annum or so across all your accounts with them, so I have an ISA with Selftrade as well as having them as broker for the SIPP. When I log onto Selftrade I see both ISA and SIPP. I hold no "funds" as such, so nobody makes any hidden commission out of me, just individual shares, the odd ETF and a few government stocks.

I have been a Selftrade customer for years, discovering them many years ago when I think they were called "City Deal Services", and I used them for PEPs (the predecessor of ISAs). The critical criterion was always that there was no annual percentage levy on my assets – I have no problem paying a fixed annual fee together with trading costs whenever I trade. But again it is important that the trading costs are fixed per deal rather than a percentage. With a "traditional" brokerage fee structure, a commission of say 1.25% for a sale or a purchase means that 2.5% plus of my assets are wiped out when I sell one thing and buy another.

I am a "do nothing for ages" investor, tending to buy and hold, with long periods of no dealing at all. And even if I did deal a lot, Selftrade online dealing charge is a fixed £15 or so, and if I want to deal in small caps with limited liquidity and big spreads, I can use their telephone dealers for a maximum charge of around £45 – and that's only payable if a deal goes through. So if I ask what I can get in this AIM Company or that, they may say that the advertised quote is 60p to sell indicated size 3000 shares, 54p to buy indicated size 10,000 shares. So I ask the dealer to ring the marketmakers and offer 58p say for 5000 shares – if they say no, nothing happens, if they say yes I've saved £200 on the trade less the extra £30 or so in commission.

If it weren't for the ability to put in bids within the spread, I would be more reluctant to buy the less liquid AIM stocks. If you just deal electronically, you pay a huge spread. What you don't know, of course, is what the market maker's position is. Is he long of the stock or short of it? Has he got a broker contact somewhere who has a client with a large holding to sell, but who won't put the whole order in at much less than the current market price? But what my dealer can do is make a specific offer of a buy or a sell at a specific price. Sometimes you get lucky!

Anyway, I've been very happy with these providers.

### So what – why this article?

Well, the immediate prompt is that EPML, the SIPP manager, has gone into special administration! Fortunately, the assets with Selftrade are still there, but I gather that EPML were unprepared for some costs related to regulation. Someone else will in due course take over, and the 6000 or so of us



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execution-only clients will be moved elsewhere, with a risk that our charges are massively increased. I want to avoid this, but what to do about it?

It would be easy if I could access an address list of other customers, but it's not like a public company, where names and addresses of at least some shareholders (those not in nominees, so still a big problem) are publicly available. But I could in practice only contact other EPML customers with any confidence if the administrators agreed to help. Whether they would I don't know; no doubt there would be some legal and regulatory principles to be observed.

With Selftrade, I have over the years tried to talk to their senior people in order to discuss how to support them and to try to ensure the survival of this no-percentage-charge model, but I haven't had any joy. I haven't tried it with an official UKSA hat though; perhaps it's time to do that.

### **Why do I want to take to these providers and to other customers?**

The simple answer is that if customers of these smaller, not hugely profitable, but fantastic good value, do not work together to support them and to promote them, they will disappear. What I'd ideally like to exist is some sort of customer network for every financial service provider, whereby the customers that want to can speak to each other and then speak with the provider as a group. With today's social networks and information technology, that should be possible. What do you think?

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