

THE UKSA NEWSLETTER

UKSA
UK Shareholders'
Association

ISSUE 3

Welcome to the third issue of our UKSA Newsletter, which is sent to all members of UKSA, both full and associate. It complements our bimonthly journal, [The Private Investor](#), which is sent to full members.

Northern Rock The government is now in the process of selling [Northern Rock](#) and other assets in UK Asset Resolution Limited ([UKAR](#)) and will pocket £4bn when the deal is done in the summer. That's good news for the taxpayer. But in all fairness a small slice of those billions should go to the shareholders of Northern Rock. It was the Labour Chancellor of the time, Alastair Darling, who barred them from benefiting. That's a decision we shall now campaign to put right. It's hard to see why a Conservative chancellor with strong Lib Dem support, led by [Lord Wrigglesworth](#), should not reverse that stance. Indeed, it's likely that Starmer's Labour would now support it too. We'll make the case and gather support for a gesture which will bring fair recompense after many years to our Northern Rock members.

UKSA's Policy Team has been as busy as ever. Head across to our [policy page](#) for full details including the new consultation response tracker. After a string of scandals involving accounting abuse, there's a desperate need to restore public trust in the oversight and scrutiny of how companies are run and accounted for, and to empower investors, creditors, contractors and other stakeholders. UKSA wants meaningful, reliable *and truthful* information on company performance, and the Policy Team is working as hard as ever on shareholders' behalf to press for proper and timely reform. An example is **BEIS** below.

On 18 March the **Department for Business, Energy and Industrial Strategy** published its long-awaited proposals and consultation on strengthening the UK's framework for major companies and the way they are audited. The consultation [Restoring trust in audit and corporate governance: proposals on reforms](#) closes on 8 July 2021. The UKSA policy team will be developing a response to this consultation on the basis that companies' financial statements and their audits are the main means whereby shareholders receive reasonably trustworthy business information on their investments. This was also the thrust of our response to the BEIS Committee last year on its audit reform consultation. In the proposals we hope to see a lot of the things we supported in our previous response. There has been a lot of knee-jerk commentary since the publication, suggesting – on the basis of high-profile corporate failures in recent years – that the proposals will not achieve their aim of restoring our trust and confidence in our investments. Some non-executive directors, who should be holding companies and executive management to account on our behalf, have also argued that it is not their job to do so. We're also hoping to counter these views. If you have any **thoughts on this consultation** or would like to be involved, please **let the UKSA office know** before the end of April.

The **House of Commons Treasury Committee** is currently debating the '[Future of Financial Services](#)'. As usual, there's no evidence yet that representatives of real consumers will be called as witnesses, but there's plenty of evidence that intermediaries' views are being heard. UKSA has submitted [written evidence](#). As part of the [Savers Take Control](#) campaign aimed at empowering individual savers and investors, Martin White has filed a separate submission to emphasise these **key points**:

Decisions about how the UK financial services sector should be regulated should not be made without first considering the impact of the savings and fund management part of the financial services sector on society as a whole. The behaviour of the financial sector not only influences the financial outcomes from retail savings, but it also influences the behaviour and culture within businesses as a whole. Problems of short-termism, under-investment in future competitiveness, bonus culture and executive greed all could be argued to originate within the way in which the financial sector operates.

For the advice and investment management chain, the whole thrust of legislation and regulation should be to put the interest of the customer first. A lawyer is expected to act solely in the interests of the client who relies on being told the full truth. So why should the financial sector be completely different? In today's world, the huge profits of the financial sector arise because of information asymmetry. Arguably a deep injustice is being perpetrated.

Extreme caution should be exercised in interpreting all the messages received from the financial sector lobby. The history of the financial sector demonstrates the validity of the saying "knowledge is power". The marketing messages of the advice and investment chain are not aimed at educating customers. Essential truths, such as that active management in aggregate will underperform passive management, are suppressed, as is the power of compound interest on expenses.

Financial education and literacy We've been taking a look at the Financial Times '[Financial Literacy and Inclusion Campaign \(FLIC\)](#)'. It's early days yet, but the signs are good. Here's a quote from Claer Barrett's Saturday FT column on Valentine's Day: '*Couples should work through their feelings on the following themes: earning, spending, saving, borrowing, investing and sharing*'. That's our idea of proper financial advice, not all that stuff about 'PE ratios' and 'choosing between growth and value'. Claer's clearly going to be big in FLIC. UKSA's [HonestMoneyNow](#) website has the same aims.

In **Europe** UKSA will be represented at the Better Finance conference on Post-Brexit Capital Markets in April. Also there will be Mairead McGuinness, the European Commissioner responsible for financial services and financial stability.

UKSA's associate membership is a great way to get to know UKSA without making any financial commitment. Why not e-mail your friends to let them know? They simply need to click the link [here](#). One member recently did just that and 24 people signed up.

On **social media** we've ramped up our Twitter activity, reporting stories that affect retail investors and engaging with leading commentators. Take a look at our tweets [here](#) (you don't need to sign up to Twitter to view).

Company meetings UKSA is justly proud of its 'analyst-style' meetings that are open to full members. They are the result of personal relationships built up over time with senior officers of the companies concerned and are a vital way of giving shareholder feedback, learning more about the companies and holding them to account in respect of your invested capital. Meetings over the last year have been virtual, of course, but physical meetings will resume as soon as possible. A group comprising UKSA board members and meeting organisers is exploring ways to support the meetings, including through the provision of company meeting information on our website, proposing a framework for the use of virtual meeting technology to widen attendance and assessing the possibility of accessing companies' capital markets days. Specifically on the last point, please **let the UKSA office know which companies' capital markets days you would be interested in**. Please also let the office know if you have any more **general comments on company meetings**. The next meeting of the group will be in June 2021.

Why not upgrade? A reminder that associate members can take advantage of half-price full membership of UKSA in the first year by clicking [here](#).

The UKSA Board

31 March 2021