

THE UKSA NEWSLETTER

UKSA
UK Shareholders'
Association

ISSUE 14

Chairman's message

Dear members

The start of 2023 is seeing progress on better contact between shareholders and their companies, not least because we are keeping the subjects of dematerialisation and disintermediation in the news and other people's minds. We have published a [position paper on dematerialisation](#) and look forward to our proposed solutions materialising. In this respect, M&S are already on the case, as can be seen by their recent letter to us and our reply (see Pages 5-7). It was also interesting to see the FT report on 20 January that Hargreaves Lansdown has launched a digital service making it easier for customers to vote as shareholders. On 11 January the same journalist had reported on Interactive Investor's 30% increase in shareholder votes in 2022, referencing UKSA's thoughts that this was positive despite the nominee system holding back shareholders from their rights. Let's hope this momentum continues.

The policy team have seen a flurry of [consultations](#) from the FCA, BEIS and the FRC. Our financial services regulators make life very confusing for ordinary individual investors/investment consumers and could do a better job of simplifying key messages. John Hunter recently commented (re FCA's CP22-24 on broadening access to financial advice): "It is extraordinary that the elaborate confection of this consultation is considered necessary to deliver the three simple messages that shares are better than cash for the long term, that shares can be turned into cash in an emergency and that a tax-saving wrapper is a good idea with no downside."

It is a sad truth that clarity from others is the enemy of an industry selling advice.

I wish you all peace and prosperity in the Chinese New Year of the rabbit (which I understand represents longevity, peace and prosperity). Let's hope the coming year sees some of this.



*Charles Henderson -
Chairman*

Policy Team news

- We are preparing our response to the FCA's consultation CP 22-24 on a regime to allow firms to provide retail consumers access to simplified advice on investment.
- We were quoted in the Financial Times on 11 January, welcoming a surge in voting participation among shareholders but urging the government to restore a direct link between companies and investors with shareholdings held via platforms. On the same subject we met with CREST last month to provide input to their digitisation programme.
- We were also quoted in the Daily Telegraph on 23 January on the subject of the risks of equity release mis-selling.
- We have been invited to meet the Bank of England soon to elaborate on our concerns about pension scheme illiquidity and its potential effect on shareholders.



Dean Buckner - Policy Director

Northern Rock update

We wish NRSAG members a very happy 2023.

We need to share sad news with you and some more positive news on refreshing NRSAG's approach to its campaign.

The sad news is Bill Penman Brown's passing on 31 December 2022. Bill was a very talented man, one of the best-informed people on the Great Financial Crisis and what led to Northern Rock's closure. This led to his writing "[The Decline and Fall of Banking](#)".

Bill's lifetime career was in international banking and trustee business, including senior management positions in London, Bermuda, Toronto, Jersey and Guernsey. Bill completed his career in Gibraltar, where he was appointed by the Foreign Office as the first Financial Services Commissioner, charged with introducing the regulation of banks and other financial and investment firms.

Bill was a founder member of several financial services associations in Jersey and Guernsey, President of the local centres of The Chartered Institute of Bankers in both islands, a Fellow and Member of the Council of the CIOB and, for several years, Chief Examiner of the Associateship Examination "Offshore Practice and Administration", which he created and about which he wrote an [Offshore Financial Services Handbook](#) for interested professionals.

Bill had amazing energy. When combined with his astute brain and career experience, Bill continued to share insights with us even when he



Sue Milton - External Relations Director

felt he could no longer actively campaign because of age. Please see Bill's recent posts on the UKSA website [Bill Brown | UKSA](#).

It is his friends and colleagues who describe him the best:

“A great person, knowledgeable and a real gentleman.”

“Bill was an incredible gentleman who will be missed greatly.”

“What an amazing man. So sharp, erudite and a true gentleman.”

“Top man.”

These words sum Bill up.

With Mo Majid as the one remaining committee member, supported by Pradeep Chand in an advisory capacity, he does need assistance and support from NRSAG members. Mo puts it clearly: *we regroup and rethink or we retreat. There is no right or wrong approach. NRSAG has kept on fighting but when arguments fall on deaf ears regardless of their validity, well, it's tough.*

We share below an extract of Mo's message on Facebook. His full message is here [UKSA Northern Rock Shareholder Action Group](#).

We need to formulate a new NRSAG committee and put together a new strategy to proceed with our campaign; we require an agenda and timescales, strategy and action plan under UKSA auspices.

We have three options available to us in my opinion:

- 1. Lobby the new Government by writing to PM Rishi Sunak to see if he is willing to initiate an independent inquiry;*
- 2. Build the NRSAG Facebook page by utilising the funds that we have in the bank with the aim of reaching 5000+ page followers. If we fail in our attempts to convince the Government to hold an independent inquiry then we could focus on an online petition to send to Parliament – if this exceeds 100,000 signatures then it will be discussed by MPs. We would essentially be asking each former shareholder to persuade 20 people to sign the petition. I believe the sub-committee have previously set up stalls in Newcastle, Sunderland and other towns in the North East, which we could do again to give out leaflets and ask the public to sign the petition;*
- 3. Take legal action now that the facts are known about the “cost to the taxpayer”.*

Personally I feel that we need to focus on the first two options simultaneously to stand the best chance of success. I think Option 3 should not be considered at this time as there may not be a way back for the campaign if we fail.

What is required from you?

Please comment and make suggestions on what you feel is the best way forward for the campaign. If you wish to join the NRSAG committee then please advise your thoughts on the above options and let me know

how you can help and what your expertise is. The ideal member will need to be passionate about the cause, have good communication skills and be computer-literate. We may need to have a face-to-face meeting with UKSA and/or previous committee members for a handover, so you need to be available to meet in person as well as by Zoom/telephone. Please note that this work is conducted on a voluntary basis.

We need to formulate a new NRSAG committee and appoint a chairperson with the help of UKSA. If we cannot get a new committee together then the likelihood is that it will be left to UKSA to decide whether they wish to carry on with the campaign or decide that it's best to close it. It's important that we continue to fight for justice.

These requirements relate to personal attributes and ability to implement decisions.

1. On the first, we are looking for people who feel they have enough energy and enthusiasm to contribute to committee discussion, have a practical approach, are happy to share ideas and apply common sense judgements.

2. This leads to the second. The committee has shared ideas on how to reengage with government, directly or indirectly via media or others, to see if compensation can be obtained. There is a lot of evidence to suggest a moral argument for compensation. The difficulty is finding a way of attracting interest from Government for the case to be re-examined. The Committee therefore needs people who can identify a clear sense of direction and are able, as part of a team, to follow through the various paths of activity that will arise.

3. The icing on the cake is if committee volunteers have influential contacts, have media experience or contacts, or have legal knowledge.

I hope to hear from you soon and will aim to reach out to those interested in joining the committee in January 2023. Please share this post and tag in friends and family members who you feel would be suited to join the NRSAG committee.

A tribute to Bill from Mo

On behalf of all our UKSA members, I want to pass on our condolences to Bill's family, friends and colleagues.

He was a stalwart of the Northern Rock Shareholders Action Group, unfailingly supporting it from its inception in 2007. His intelligent insights into what happened and why, with an ability to share facts objectively, meant we could challenge government opinion from a position of strength.

Bill shared his book "The Decline and Fall of Banking" with us. It is thanks to him that we have a record of the events leading to Northern Rock's closure, explaining how various decision-makers, with undoubtedly difficult decisions to make, nevertheless refused to listen to the voices of reason that could have saved the bank rather than letting

Northern Rock customers, pensioners and shareholders pay the price.

We will miss Bill's energy, wisdom and support. He did so much for the Action Group, always in the best interests of those who lost out from nationalisation.

We will miss Bill.



Bill Penman Brown

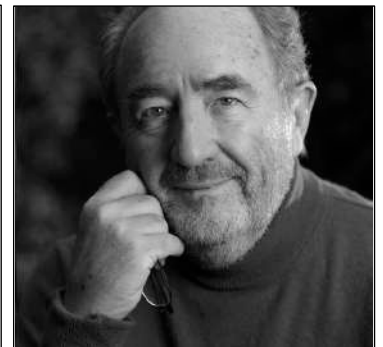
Turpitude

Nul points in this edition for Prague-based brokers Cyrrus.

They hold a US dollar deposit on my behalf, alongside shareholdings in Moneta Money Bank and the locally quoted Phillip Morris.

Cyrrus is charging a fee to pass through the interest. The fee is a percentage of the value of the \$ deposit, not of the value of the interest on it.

End result? They take a whopping 80% of the interest received. How's that for gouging? Cyrrus wins the prize out of seven intermediaries we use in five jurisdictions.



*Malcolm Hurlston -
Director*

Marks & Spencer's Share Your Voice campaign

As Charles Henderson mentioned in his message on Page 1, Marks & Spencer have written to us about their Share Your Voice campaign:

M&S

EST. 1884

Waterside House,
35 North Wharf Road
London W2 1NW
Tel: 020 7935 4422
marksandspencer.com

BY EMAIL: officeatuksa@gmail.com

18 January 2022

Dear Charles

Support for M&S' Share Your Voice campaign

I am writing on behalf of M&S to gain the support of the UK Shareholders' Association for our upcoming 'Share your Voice' campaign, where we will be lobbying for the outdated Companies Act to be brought into the 21st century and support better shareholder communication in the digital age. Malcolm Hurlston previously reached out in response to [Archie Norman's op-ed](#) in the Financial Times, expressing interest in digitalisation, and we write this letter with the hope that you would also be willing to support.

We believe now is the right time to call for this change as the topic is already on the government agenda. The Digitisation Taskforce - led by Sir Douglas Flint - has been established as an output of the Austin Review with the clear objective of modernising the UK's shareholding framework and its initial recommendations are due in Spring 2023.

At M&S, we have been leading the way on digitising our shareholder engagement in recent years - undergoing the market's first digital rights issue process online in 2019 through to hosting fully digital AGMs since 2020, which has seen us near treble shareholder engagement. A key indicator of the need for change has been the decrease of in-person attendance at AGMs in the UK, including pre-Covid. At our last in-person AGM in 2019, 561 shareholders attended; just 5 years earlier at our 2014 meeting this figure was 766 shareholders, in 2009 this was 1,466 shareholders. Digital not only addresses this decline in engagement, but has also enabled us to democratise meetings, giving voice to many shareholders who previously will have gone unheard because of the scale of our AGMs. Our approach to questions - seeking them in advance as well as live via a number of digital methods - ensures that a Q&A session dominated by a small number of regular AGM attendees is replaced with one that addresses the majority of shareholder views raised, not just those brave enough to stand and speak at an in-person meeting. At our 2022 digital AGM, 1,687 individual shareholders engaged with our digital AGM platform, either to vote, submit questions or view the AGM live, and there were 2,000 replays afterwards; demonstrating how much more democratic a digital AGM can be and enabling us to engage with a wider shareholder base.

We have seen first-hand the benefits that digitisation of AGMs can bring, both to our business and how we run an AGM, and to our shareholders and their ability to engage. We strongly believe this approach should become standard market practice, but there is still more we can be doing. If we can transform the way companies engage with shareholders, everyone stands to benefit; shareholders from easier ways of engaging, more timely and frequent communication, and reduced travel costs and time commitments; and companies from efficiencies, more engaged shareholders, and an easier way of doing business by removing outdated red tape and bureaucracy.

Marks and Spencer Group plc
Registered office:
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London W2 1NW
Registered No. 04256886
(England and Wales)

However, true digital shareholder engagement cannot be widely adopted without changes to legislation. The current Companies Act is not fit for today's shareholders where digital communication should be the default for all. Platforms and registrars should be obligated or legislated to work together to ensure every shareholder, including those holding their shares through nominees, are able to hear directly from the company they are invested in.

At M&S we are losing sight of around 4,000 private shareholders annually and our issued share capital held by private shareholders has decreased 2.5% in the last 4 years. We believe this is being driven not only by losing contact with dormant shareholders (which would also be improved with digital communication as the default), but by the growth in nominee platforms. The mechanics of equity ownership have moved on and no longer reflect the reality for a modern investor. Today's outdated legislation has created a three-tier model where major institutional investors can access time and information direct from leadership, shareholders holding in their own name can have a direct relationship with the company, while those who hold via a nominee have no direct relationship with the companies they invest in. With the increasing number of retail shareholders holding shares predominantly through nominee accounts, there are a growing number of shareholders whose voices are regrettably going unheard. Companies must be able to communicate directly with all nominee accounts using electronic methods to reflect the way we live and work today.

Our 'Share Your Voice' campaign will call for updated legislation, ensuring the Companies Act is fit for the digital age, because without change, too many shareholder voices will continue to go unheard.

We would be pleased to have your Association's involvement with our 'Share your Voice' campaign, including:

- Co-signing an open letter to the Business Secretary, as we seek legislative change.
- Backing our petition calling for change, which we will be launching with the aim of securing 10,000 signatories for Government Response, by sharing with your members and encouraging them to sign, write to their local MPs, and demand change.
- Your involvement in, and social amplification of, our planned media and government engagement.

If you have any questions about our campaign or would like to discuss this further, we would be delighted to arrange a meeting.

Yours sincerely,

Nick Folland
General Counsel & Company Secretary

Victoria McKenzie-Gould
Corporate Affairs Director

UKSA is encouraged by this approach and has replied as follows:

Dear Victoria

Thank you and Nick for your letter of 18th January and requesting our support of your “Share your voice” campaign.

As you may see from our position on dematerialisation - [Home | UKSA, UKSA publishes its position on Dematerialisation | UKSA, UKSA-position-on-dematerialisation-published-2022-12-24](#) – we would be happy to support the campaign and consider:

- Co-signing an open letter to the Business Secretary, as we seek legislative change, so long as it does not conflict with our position on dematerialisation
- Backing your petition calling for change, which you will be launching with the aim of securing 10,000 signatories for Government Response, by sharing with our members and encouraging them to sign, write to their local MPs, and demand change
- Our involvement in, and social amplification of, your planned media and government engagement, again so long as it does not conflict with our position on dematerialisation.

It would be good to discuss this further in a meeting, which I am happy for you to arrange and host, especially as we are for most occasions a virtual organisation. This should include an in person option at your offices. I look forward to hearing from you.

Yours sincerely,

Charles Henderson

Chairman

The letter below, from UKSA's former chairman John Hunter, was [published in the Financial Times](#) in December.

Britain needs new ways to teach financial literacy

From John Hunter, Orpington, Kent, UK

It's time for a call to arms on financial literacy, guidance, advice and education. The fact that four different words are used for what is essentially the same thing is a clue. The articles by Bethan Staton and Claer Barrett on financial literacy and influencing set the scene ("Patchy' financial education leaves pupils behind", FT Charity Appeal, December 10 and "Beware influencers plugging the financial advice gap", Opinion, FT Money, December 10).

Four different government-sponsored bodies profess to offer financial guidance. Not one of them explains the compounding consequences of paying ad valorem fees; not one of them explains the conflicts of interest embedded in the financial advice and product industries; not one of them offers a holistic approach to the chore of personal money management that would help those who find it unapproachable.

The UK Shareholders' Association — I was a past chairman although I write in a personal capacity — appeals for a new approach to financial education, one removed from the influence of those who profit from personal financial ignorance. This is consistent with — and a natural consequence of — the government's current call for a bonfire of financial regulation. UKSA's financial education website, [Honest Money Now](#), is an example of what is possible with just voluntary resources of time and money.

John Hunter

In response to a reader's comment accusing the media of "peddling the financial literacy nonsense" and calling for a focus on basic skills in mathematics, John argues that nobody would dispute the need for numeracy as an essential life skill, but it is a mistake to assume that it is important for personal financial management. What is true is that financial literacy courses tend to be heavy with mathematics and therefore those with maths skills do better on the courses than those without. To deduce that the problem lies with numeracy is a misuse of conditional probability, which incidentally infects much research that allows a connection to imply causation. The problem lies with the courses. HonestMoneyNow is a learning path that requires no maths and starts with an assumption of zero financial comprehension. It was originally created by an individual with a Cambridge degree in Pure Mathematics.



*John Hunter - former
UKSA Chairman and
creator of
[HonestMoneyNow](#)*

IFoA Frank Redington Prize

Further to our coverage of this in the last newsletter, we have now uploaded [Martin White's full essay](#) to our website. This is identical to the version you can find on the Actuaries (IFoA) website, apart from the formatting style and the inclusion of a "contents list" starting at the second page. The idea of the contents list is that a glance at it should give a quick view of the arguments developed in the paper.

The correct web link on the IFoA web site has changed, so that the link in the last newsletter doesn't work, and at the time of writing there are still some dead links if you search for it from the IFoA site. The full correct link to all of the papers is <https://actuaries.org.uk/frank-redington-prizes/>

What are "high risk, high reward investments"

As readers will be aware, the policy team puts a lot of effort into thinking about the work of the Financial Conduct Authority. And, as part of that, we found ourselves looking at a relatively readable (just 23 pages) document called "Understanding self-directed investors", which was published by the FCA in March 2021 and can be found [here](#). The big message contained within in the FCA's press releases etc. was this:-

"Sheldon Mills, Executive Director, Consumer and Competition at the FCA said: 'Much of the consumer investments market meets consumers' needs. But we are worried that some investors are being tempted – often through online adverts or high-pressure sales tactics – into buying higher-risk products that are very unlikely to be suitable for them.'"

Fair cop! In practice, it is shocking what people are pressured/tempted to get into. Something else that we thought pretty strange was that the term "high risk, high reward" in the research and the document was applied to this list of things:-

- Investment-based crowdfunding
- Peer-to-peer lending
- FX/forex
- High-return or mini-bonds
- Land banking
- Collective Investment Schemes (CIS) not regulated/authorised in the UK
- Cryptocurrencies or exchange tokens
- Binary options
- Contracts for difference (CFDs)



*Martin White, UKSA
Director and creator of
[Savers Take Control](#)*

Personally, I would hope that most of my friends at UKSA would query the inclusion of the term “high reward” to describe these. In the main, I would be inclined to use terms way more derogatory than that. Yes, they are high risk, but it’s a common supposition that high risk also implies high reward - not necessarily true!

How to choose an ISA – what to look for?

It would be really interesting to get some readers’ views on this. The question is an important one that in my opinion we should really have something serious about on our website. It is very topical at the moment, as the FCA is consulting at the moment about a proposal to relax the requirements on advisers who are helping first-time equity investors into ISAs, for amounts invested up to £20,000. We’ll say no more on the details of that – we are working on a formal response to the consultation – but suffice it to say for now that there is virtually no discussion from the FCA of what constitutes a sensible choice from the various ISAs out there. Here are some thoughts to be getting on with:

- The fact that actively managed funds, if you choose to put some or all of your ISA money into funds, systematically underperform passive funds, mainly because of the expenses (there is even formal research material from the FCA confirming this);
- Avoid ad-valorem charges if at all possible, opting for “fixed fee” instead, and this becomes more and more important as your ISA grows in value, whether from putting more money in or from investment returns;
- The degree of flexibility in choice of underlying investments. For example, providing the provider permits it, you can have cash, government stocks, conventional company shares, ETFs – and for these if you are in a fixed-fee ISA there would normally be no ad valorem charge on any of them;
- Buying and selling costs, and whether or not there are ways of dealing within the bid-offer “spread” for stocks that have a large bid-offer spread;
- Be aware that the super-profitability of providers like Hargreaves Lansdown is a result of the way they charge for “funds”;
- Flexibility of getting out. How easily, and at what cost, an ISA can be transferred to another provider.

Paul Claireaux

[Paul Claireaux](#) has joined UKSA. Paul writes educational content for workplace financial service providers. And he wrote ‘[Who Can You Trust About Money?](#)’, a book of insights into personal finance questions. Our hearts are very much in the same place.

Paul also likes to share ideas on [Twitter](#).

Don't forget, Associate Members can take advantage of **half-price full membership** of UKSA in the first year by clicking [here](#).

The UKSA Board

25 January 2023

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