Letters to the Editor

Dear Sir,

Members of UKSA supportive of the movement to secure better rights for shareholders whose investments are registered in the name of a nominee may have encountered an additional problem of which I have recently been the victim.

I hold shares in Stadium Group plc. Last July, Stadium made an open offer to shareholders. There were two segments, a basic entitlement of one new share for every 34 shares held and, for shareholders taking up the basic entitlement in full, the opportunity to apply for excess shares. My holding was registered in the name of HSBC within a pooled holding. Because not all customers of HSBC with an interest in Stadium could be assumed to want to take up their basic entitlements in full, HSBC was unable to guarantee that the condition applicable to the overall number of shares registered in its name on behalf of a number of customers would be met; and in consequence it was not open to any of its customers to instruct HSBC to apply for excess shares on their behalves.
I asked Stadium to explain why it had imposed the restriction that it did and whether its board was aware of the deprivation that would be suffered by pooled nominee account users. In reply, the company stated

… there was no other option available to Stadium outside of the Open Offer mechanism to ensure that private shareholders could also be involved in the fundraising… Sadly, Stadium can only work within the existing system of nominee accounts. As far as I am aware there is no mechanism possible that Stadium could have undertaken to allow a shareholder in your position to get the outcome you required unless you were to hold shares via a nominee account provider that works differently to HSBC, or if you held the shares directly in your own name (via a CREST personal membership, for example). I do appreciate that it is not possible to invest through an ISA or SIPP in any other way than a nominee account, but the only course of action Stadium can suggest is that you contact the UK Shareholders' Association and UK Individual Shareholders Society (ShareSoc), who are both campaigning for stockbrokers to offer alternatives to nominee accounts, to offer your support and speak to them about the work they are doing.

Have other members of UKSA suffered similar discrimination? If so, is there any simple means whereby companies running open offers as Stadium did – and there have been others – can overcome what might be regarded as a technical difficulty? One partial solution that has been adopted by another broker operating pooled nominee accounts is to offer customers the opportunity, without commitment on the part of the broker, to obtain excess shares if another of its customers will not be taking up his basic entitlement, thereby allowing the broker to use it for the benefit of customers who are. But that solution will be effective only where the nominee is willing to take the trouble to juggle applications in that way and is in any case contingent on the nominee having the scope to do what it would like to do. Another solution might be for the company to call for excess applications by nominees supported by certificates that they are made on behalf of beneficial owners who have individually taken up their basic entitlements. Or a company could invoke its rights to call for disclosure by the nominee of the identities of the beneficial owners represented by the pooled holding and then contact them individually with special forms of application.

Stadium Group - 6-month share price graph

I have asked UKSA to investigate the scale of the problem. If there are other members aggrieved in the same way as I they might, I suggest, communicate their interest in an email to be sent to UKSA's policy director.

Anthony Rentoul

Dear Sir,

As an advocate of personal retention of share certificates by the small investor and a reason to consider this to be the way to ensure share ownership, I refer to the feature in the "Investors Chronicle" dated 11th December – 17th December, 2015 titled "WHEN BROKERS GO BUST" and suggest all UKSA investors should read this and assess the bearing this may have on their investments in shares and their participation with brokers nominee companies and accounts.

R.D.V. Kite