

## **Transitioning from Hargreaves Lansdown to Interactive Investor.**

*We have always encouraged members to share their investment experiences, because a key benefit of belonging to UKSA is the ability to pool our experiences and learn from each other. This is true even if such experiences reveal our past (or present!) errors. Below is a personal view and experience. It may conflict with the views of others and if so, that's good, because it's only by argument and debate do we get closer to the truth.*

It seemed a simple enough proposition, transfer my Stock and Shares ISA from Hargreaves Lansdown (HL) and escape their ad valorem platform fees of 0.45% pa \* in exchange for Interactive Investor's (I.I.) fixed platform fee of £120 per annum.

For investments in funds of more than £26.6k, (the break-even point) I.I. would produce savings in platform fees and that is still the case, but there were some issues for me personally. Interactive Investor was an unexplored entity to me, but since it was used by some of my well regarded UKSA colleagues, it gave me some reassurance and, on that basis, I opened an account.

I outline below the reasons for my initial hesitancy and what I learned in the process.

Firstly I had been with HL for many years and I rate the service very highly, both over the phone and by e-mail. I have found the calibre of their staff high and response to phone calls quick. More importantly, their website is simple to navigate, robust and with a high degree of functionality. This is important to me, having had a nightmare experience with Selftrade many years ago, after they upgraded their platform software without, it appeared, adequately stress testing it first.

For many months executing share transactions in Selftrade was erratic, with the website frequently timing out, not knowing if transactions were executed or not and wild swings in portfolio valuations. Eventually the Regulator stepped in, banned any new business and by way of reparation, exit transfer fees were waived by Selftrade and I transferred the entire holding, in specie, to Hargreaves.

From thereon I was determined that I would never chase the cheapest again. I didn't want my investments with a company that operated on wafer thin margins, where cost containment measures may impact on service, reliability and possibly security.

The second complication was that in terms of charges, HL treats funds and shares differently. Although the ad valorem charge of 0.45% applies to both elements, the shares element is capped at £45 per annum in total. For individual shares, ETFs and investment trusts, their total platform charges were cheaper than Inter Active Investors.

I had reduced the funds portion of my HL account in favour of increasing the Investment Trusts and Exchange Traded Funds portion. That process was almost complete but there remained a handful of several passive index tracker funds, and a few favoured active funds.

The largest of the active funds were Fundsmith Global equity and Lindsell Train's Global and UK equity funds. I could still make substantial savings just transferring these funds to II.

It seemed not an unreasonable idea to use my current ISA allowance to open an II account and use it to buy Lindsell Train Global Equity. That would enable me to experience the new service and website, without incurring any significant additional cost. After a trial period I could transfer the remainder. Being miserly I resented paying HL £25 per line to transfer in specie. It also can take a long time I'd

heard, whereas there were no charges for transferring cash and it was quicker. It seemed straightforward therefore to sell some of the Lindsell Train Global equity in HL and simultaneously buy in II, taking advantage of midday pricing for both transactions on the same day. I wanted to avoid any unforeseen timing issues associated with abrupt market corrections.

I checked first that the Lindsell Train class D, with the lower ongoing charge figure (ocf) of 0.49% pa was also available on the Interactive Investors website. Irritatingly, it's not until you open an account and attempt to buy the fund, that the error message is received, *'This fund not available'*.

The more expensive class B at 0.64% was available. It may seem like penny pinching and a minor issue, but it was a question of confidence for me. It just felt misleading, and I wondered if there were any other unknowns.

It's something that platform comparison websites seem to miss, is that HL as a behemoth fund offer discounted charges on most of their funds and that needs to be factored into comparative costs. I show below a simple comparison of some popular funds.

To be fair to II, after I sent a critical message, they rang me up the following day, agreed that it was misleading, but blamed 3<sup>rd</sup> party functionality they were using for researching funds.

Despite the niggle I have persevered with II and have since transferred another ISA to them. But I am restricting the funds to a few geographical index trackers and Fundsmith (Who do not offer discounts to any platform providers). I will retain HL for shares, ETFs and investment trusts.

Fund	Hargreaves Lansdown			Interactive Investor		Diff in fund charges
	Net Fund charge O.C.F.	Platform charge *	Total ad-valorem Charge	Net Fund charge O.C.F.	Platform charge	
Fundsmith	0.95%	0.45%	1.40%	0.95%	£120 pa flat.	0.00%
Lindsell Train Global Equity	0.49%	0.45%	0.94%	0.64%		+ 0.15%
L&G Euro Tracker	0.07%	0.45%	0.52%	0.13%		+ 0.06%
L&G UK Tracker	0.04%	0.45%	0.49%	0.10%		+ 0.06%
Artemis Income.	0.59%	0.45%	1.04%	0.80%		+ 0.21%

\* From £250k- £1 mill = 0.025% per individual account.

In Summary likes and dislikes

### **Hargreaves Lansdown.**

Likes

- a) No transaction costs for funds and minimum investing amounts are £100. Good for small investors just starting and making use of £ cost averaging.

- b) Clarity, slickness and good functionality of website. E.g. Simple to download to Excel. Easy performance comparison with other securities including comparing Investment trusts to funds.
- c) Optionality to receive dividends automatically into a nominated bank account with just a few clicks.
- d) Good telephone service, quick to respond to messages.
- e) Cap on platform fee of £45 pa. if holding only shares, ETFs, or investment trusts.
- f) Ability to link other family accounts so only one login required.

#### Dislikes

- a) Expensive if holding large amounts in funds both active and passive.
- b) Not slick for AGM attendance or voting but do respond timely by e mail for AGM invitations.
- c) Cumulative performance of each line of security excludes dividends making comparison meaningless.

#### **Interactive Investor**

##### Likes

- a) Flat fee of £120 makes for substantial savings for large investments. (Probably No 1 attraction)
- b) In analysis of a fund, I.T. or ETF they display whether the instrument is mainly growth or value oriented or of it's a blend of both.
- c) They have good videos to explain how to navigate site and transact.
- d) The first trade every month is free and after that very competitive at £7.99. (v £11.95 HL)
- e) Appear to have a menu option for voting at AGMs (I have yet to use)

##### Dislikes

- a) The website feels a bit clunky by comparison, sometimes text fields overlap, making it difficult to read. (A minor irritant, but there is really no excuse for that)
- b) Security of login requires input of a one-time code sent to your mobile, fine if you have a decent mobile signal in your area and you don't want frequent access.
- c) Cannot make performance comparison between funds and investment trusts. (In my experience)

