



## Press Release

Adam Wrench, Head of Business and Product Development, says that while cash commissions may currently be dividing opinion within the SIPP market, not everything is as it may at first seem.

Dare to utter the words "SIPP cash commissions" and you're likely to get a strong reaction from those within the industry, and as the debate continues over whether such payments can be justified it's clear from recent media coverage that this is one dispute showing no signs of abating any time soon.

Somewhat unsurprisingly though, the word "commission" continues to be viewed as a dirty one within some quarters. There have also been those who have claimed that SIPP providers are uncomfortable broaching the subject, simply out of the fear that their future could be threatened should the FCA decide to focus more attention on such payments - a notion which is looking ever more likely, given the FCA's increased scrutiny of late concerning the SIPP industry as a whole.

But then there are those who go one step further, arguing that SIPP providers who do withhold interest are acting against the principles of the Regulator's Treating Customers Fairly initiative, and in doing so are potentially running the risk of causing the next big mis-selling scandal.

Quite frankly, to make such accusations is reckless, as not only are they misleading, not to mention inaccurate, but they are also damaging to the reputation of the vast majority of reputable SIPP providers who, let's be honest, have had to endure more than their fair share of criticism of late.

For the issue of SIPP commissions to be deemed as 'mis-selling,' the client would have had to be totally unaware that their provider was withholding any of the interest earned on their account. Yes we've no doubt all heard the accusations within the media of providers having "siphoned off funds" while their clients remain completely oblivious; but in the case of London & Colonial, we have always openly declared the fact that part of any interest payments are withheld to all of our SIPP clients, and are by no means unique.

I think that the main problem lies in a basic misunderstanding of how this "commission" works, as well as why it exists. The very reason these payments are available in the first place is because a provider is able to pool together large sums of money collectively, and in doing so negotiate considerably higher rates of interest as a result. In any case our own policy has always been to only retain the difference between the rate that the client could have obtained themselves on their current account and the higher rate that we ourselves have managed to negotiate.

It should come as little surprise that clients do in fact benefit from having an institutional commercial investor negotiating the rate on their behalf, as more often than not they would have received a lower rate had they approached the bank as an individual. Indeed, many clients will have found their bank balances to have benefitted as a result of this approach.

What's more, the very fact that this commission goes some way to covering the ever increasing burden of operating costs is something that also seems to have been overlooked. If the provider wasn't able to use this income stream, these costs would be ultimately passed on to the client via higher annual management fees; and as such I find it difficult to understand how so many voices within the market can possibly dub these payments as being "unfair."

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## Notes to Editors

### About London & Colonial

London & Colonial specialises in self-invested products for both UK residents and persons resident overseas.

The London & Colonial Group includes

- (1) London & Colonial Holdings Limited – UK parent company
- (2) London & Colonial Services Limited which is regulated by the UK Financial Services Authority and operates SIPPs and SSASs
- (3) London & Colonial Assurance PLC which is regulated by the Gibraltar Financial Services Commission (matching UK standards) and which offers Open Annuities, QROP Annuities and Open Offshore Bonds
- (4) L&C (Administration Services 2) Limited and London & Colonial (Trustee Services) Limited which are both based in Gibraltar and offer the EU SIPP.

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