

Consumer Duty

FCA Background Comments

The Consumer Duty legislation is a significant shift in our regulator's (the Financial Conduct Authority - FCA) expectations of member firms. It introduces a more outcomes focused approach to consumer protection and sets higher expectations for the standard of care that firms give customers.

The narrative that the FCA expect going forward is to deliver good outcomes for customers and that this process be at the heart of firms such as Rosan Helmsley's strategies and business objectives.

In July 2022 the FCA published final rules and guidance for member firms and set out the following timeline for firms to implement Consumer Duty:

- By the end of October 2022 firms Boards or management bodies would have to agree their plans for implementing the duty.
- By the end of April 2023 manufacturers should have completed all the reviews necessary to meet the outcome rules and share necessary information from their distributors.
- The duty comes into force on 31st July 2023 for new and existing products or services that are open to sale or renewal.
- On the 31st July 2024 the duty comes into force for closed products and services.

Overview of the Requirements of the Duty

The main principle behind the duty as far as the FCA is concerned, is that firms should act to deliver good outcomes for their retail customers. Firms such as Rosan Helmsley must act in good faith towards their customers, avoid causing them foreseeable harm, and enable and support them to pursue their financial objectives. Firms should consider the diverse needs of their customers including those with characteristics of vulnerability.

Response to Consumer Duty and implementation

The Board of Rosan Helmsley confirmed in a Board Meeting of 28th October 2022 our commitment to implementing the Consumer Duty legislation in plenty of time for compliance with the new rules, which come into effect on 31st July 2023.

As part of that process, we engaged with our compliance support company (Zenith Compliance) overseen by our representative Sarah Keyes, who scheduled internal meetings and discussions with our Consumer Champion Kathryn Highett, Head of Operations at Rosan Helmsley Ltd and Rob Sandwith, CEO of the firm who will jointly be responsible for the implementation and compliance with the legislation.

The firm set out in a Consumer Duty implementation document dated 16th June 2023 a summary of the requirements under all the legislation and how the firm would tackle the key component parts.

By way of background, the Consumer Duty legislation is a natural extension to the Treating Customers Fairly (TCF) legislation that was introduced some time ago, and the firm's reflective statement on TCF (most recently updated in a document dated September 2018) sits on our website.

The Board of Rosan Helmsley concluded that for well-run wealth management companies, much of the legislation being enacted remains intuitive for businesses serving clients where longevity of business relationships can only be sustained where advisory and administrative processes are extremely robust.

In the firm's TCF document dated September 2018 we set out a summary of several of the component parts to maintain good client relationships that work, and our approach to ensuring that our clients are well served, well trained, well thought of and our investment solutions are well researched.

The firm expects high standards from both its advisors and the administration support team, who ultimately have the responsibility of ensuring record keeping is accurate and clients' portfolios are updated in a timely and accurate basis.

As part of the implementation process, the firm instigated several training days and presentations to our support team and have ensured that continual professional development features as part of all advisory inputs.

The firm has sought regular training and update days to both the management and support team and a final full training day was most latterly implemented by Zenith Compliance on 17th July 2023, before the implementation of the legislation.

In appraising the new Consumer Duty legislation, the firm has conducted a detailed appraisal of current administrative and advisory processes to ensure this sits well with the proposed legislation. This allowed the firm to reflect on the way we advise clients and service them currently and to make amendments to processes where it was deemed to be necessary.

In addressing the three key elements of Consumer Duty, we have made some general comments about our business process below.

Consumer Principle

The Consumer principle mandates setting a clear tone that uses language that reflects overall standards of expected firm behaviour.

Rosan Helmsley has long subscribed to the view that entirely tailored investment reports and advisory letters are important as a way of delivering clear outcomes, with language as far as possible in layman's terms to reflect good client outcomes, understanding and interpretation of financial legislation.

As such, the firm tries to avoid overtly templated communications, ensuring that our records of client telephone, zoom and meeting notes all tie in well with the advisory process, providing good linkage to the delivery of our financial advice.

Cross-Cutting Rules

The setting out of the cross-cutting rules would be entirely intuitive to a firm such as Rosan Helmsley, where we have practised and acted for over 22 years without any upheld client complaints over that period. Part of this success, in our view, is down to the fact that the advisory process has always acted in good faith, firmly empathetic with objectives and specifically avoiding advisory routes that might lead to harm, particularly to vulnerable consumers.

As part of our client segmentation in separating clients broadly into two groups - 'Wealth Management' who receive a quarterly update and contact point, and 'Financial Planning' clients who have an annual update and contact point - there are very regular opportunities to ensure that clients are indeed meeting their financial objectives.

Clear communication with clients is and has always been key to building good relationships with sensible and positive outcomes for our clients.

The Four Consumer Outcomes

In terms of the four segmented consumer outcomes the company will continually monitor the mandated processes and records initial comments as below:

Products and Services

As part of our obligation to our clients to ensure we recommend products and services that meet consumer objectives, the firm undertakes regular and ongoing reviews of the principal investment structures and platforms that the firm uses to deliver the services and products that consumers require.

This includes a regular review of the key platform providers, which the firm documents annually. Currently our leading platform provider is Fidelity, with whom the firm has a long-standing relationship at management level and delivers administrative processes and client support that the firm is very comfortable with. Fidelity also has a market leading website and provides preferential pricing for our clients.

We review and maintain relationships with multiple platform providers to ensure that service remains first class and innovation continues through those third-party product providers as well as them providing price and value through their own platforms at the same time.

Rosan Helmsley regularly reviews the companies with which we conduct independent investment strategies, (off platform) which would include products such as Enterprise Investment Schemes (EIS), Venture Capital Trust (VCTs) and of course primary pension and life companies through which the majority of products are distributed in the UK.

Where the firm witnesses incidences of poor service then relationships with these companies will be placed immediately under review and alternate arrangements made if deemed necessary.

Price and Value

Delivering value for all of our clients is absolutely key to maintaining successful client relationships and building trust with clients as well as referrals onto new clients.

As such, the firm reviews its pricing structure at least annually and the firm has maintained a management fee structure based on a percentage of the funds under management at 0.5% since the company was incorporated in 2001. Much of the industry has moved to a higher pricing mechanism - typically between 0.75% and 1% per annum. Increasing regulatory burdens are likely to push our pricing structure up at some point though we remain comfortable that at the current time the servicing fee of 0.5% per annum (50 basis points) delivers value for our clients, both in the Wealth Management and Financial Planning segmentation.

The firm remains entirely comfortable with a pricing structure that pays higher fees to those with larger assets. Larger invested sums clearly have much higher regulatory risks if things go wrong and therefore a fee structure based around such principles remains highly appropriate.

Upfront fees are disclosed explicitly in our client agreements and of course where any investment advice is given, or pricing models may change, this is clearly communicated to clients with each piece of advice before any transactions are concluded.

The firm operates a differing fee price structure for upfront advice, which as per our client agreement ranges typically from 1% for investments of at least £1m, down to 3% for investments of £50,000. Again, these pricing scales are reviewed constantly, and we believe we remain both competitive at an industry level and operates a viable model for the successful running of our business and the support structures we provide to our clients.

Value of course can be viewed as entirely subjective. Rosan Helmsley believes the positive feedback we get from clients in relation to the services we provide mean we are providing fair value for our consumers.

Consumer Understanding

Part of the outcome of generating good feedback and a satisfied client experience involves, in our view, in making communications with clients extremely clear. The firm reviews the material we provide and the access to information we provide for clients as part of this commitment. As part of our services to all our clients we provide access to regular newsletters, which are issued quarterly and made available on the website.

These communications provide clients with regular updates on what is going on in the world and the impact of macro events and geopolitics on the investment process. In our view, this provides clients with context to global events that might have impacts on their financial strategies and provides a mechanism that allows clients to get a greater understanding of their own invested portfolios and financial planning issues.

As part of consumer understanding we also provide factual information, which is updated quarterly, on our website through our Key Guides. There are currently 18 active Key Guides on our website, which cover a wide variety of financial planning content, with the specific objective of providing clear guidance and updates on issues affecting financial planning and investments. A list of the Key Guides updated quarterly is referenced below.

- The Financial Planning Journey
- Investment Planning and Asset Allocation
- Financial Planning for Women
- Making the Most of ISAs
- Pension Tax Planning for High Earners
- Saving for Retirement
- Taking Income at retirement
- Later Life Planning
- You and Yours - Estate Planning
- Business Succession Planning
- Financial Protection for You and Your Family
- Investing for Children
- Investing in VCTs and EISs
- ESG Investing
- Investing Tax Efficiently
- Living Abroad
- Taxation of Property
- Tax Planning Tips

Key Guides are issued with financial advice and reports where relevant, as part of the financial advisory process.

Consumer Support

As part of consumer support Rosan Helmsley has spent a great deal of money and resource on ensuring that clients have access to their portfolio valuations through our website. This has been delivered through a proprietary valuation tool, which we call Rosan Reporting. This tool delivers valuations updated on a daily basis for all our clients with an active signed client agreement. Financial data is provided by the leading financial data experts Financial Express (FE), and we contract with FE annually to ensure that we can provide this level of service and information and consumer support to our clients.

Other areas of consumer support involve assigning a dedicated administrator to each client in our Wealth Management client group, which means clients have an easy way to access their administrative support as well as advisory support.

Part of that process ensures that the relevant administrator and advisor are noted on client valuations.

Rosan Select

As part of our support to clients and providing access to our own research on fund selection the firm publishes its data in this regard on our website. This allows clients to have engaged conversations with the advisory team when necessary but also to provide information on the key funds we support. Again, Rosan Helmsley has designed and delivered this support mechanism on a proprietary basis, with the data again supported by FE. The firm's investment committee (currently James Morley and Rob Sandwith) regularly update and meet on investment funds as well as having regular meetings with asset management groups and individual portfolio managers as part of this process. Those research elements are documented in our electronic management tool that we have developed on a proprietary basis.

Changes to Rosan Select have a pre-determined process to ensure that funds that have either been removed or added to the research list are considered through a process of meetings initially. There will then be a number of inputs that go into the review process, and these would include fund performance, (where we discuss specific investment funds), the management teams, the price of the fund or product, among others. The fund would then be recommended or removed. Changes to inputs on Rosan Select will be agreed by the committee and documented in the administrative tool with the relevant research material noted and recorded where applicable.

Sector and geographical reviews are carried out on a regular basis and any proposed changes that might affect individual clients holding a fund will be communicated directly to the client.

Summary

We consider that the firm's processes for meeting the Consumer Duty outcomes are robust and fundamentally provide the ability to deliver good outcomes for our clients. A regular review process is in place for supporting fund and product structures and allow for early identification of any issues that may need to be changed.

The administrative team overseen by Kathryn Highett, the Consumer Duty Champion, are motivated and remunerated with client service in mind as one of the key components to our annual remuneration strategy. In addition, Kathryn Highett runs regular administrative meetings to pick up on any administrative issues that may need dealing with or adopting a fresh approach. These meetings typically take place monthly.

The firm operates a weekly Work In Process (WIP) meeting that allows all employees to air any issues they may have personally or deal with any admin or investment related issues that arise through the client review process.

The firm believes this is a key component to ensuring the business identifies any service or product issues that may arise at the earliest opportunity. It also allows us to keep in touch and stay on top of any issues that may involve vulnerable clients as there is a weekly opportunity for issues to be raised by either the admin or advisory team.

As such, we believe our consumer duty process is robust and we continually monitor the processes and adjust procedures where necessary through time.

We also continue the process of taking informal observations from clients as they occur, and we always encourage clients who are interested to respond to content published in our quarterly newsletter advisories and any more generic communications we provide at regular intervals (through the Covid period by way of example), to ensure we retain an open communication process between clients, advisors, and administrators.

Rosan Helmsley will continue to update and review our internal processes to ensure ongoing compliance with the Consumer Duty directive.

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