



Advisers cannot get complacent when picking platforms, says Nucleus

Advisers should be able to justify how a platform's service benefits their clients either directly or indirectly if they want to satisfy their due diligence requirements, according to Nucleus.

Following the Financial Conduct Authority (FCA) report on adviser due diligence, Nucleus business development director, Barry Neilson, warned advisers they should not be complacent with their procedures simply because there was a lack of detail from the regulator.

The FCA raised concerns that some of the 13 advice firms it reviewed picked platforms based on the services that benefited the adviser using them rather than the end client.

Neilson described the paper as "underwhelming" and said: "The FCA's paper only looked at 13 firms, so not the most robust research and it did not look at client files, so it was very theoretical. We expected it to have more guidance and best practice to help advisers.

"The really important point is advisers should not get complacent because the paper lacked detail, because when Mifid II kicks in we will almost certainly see a more prescriptive environment with greater emphasis on product and platform selection."

Neilson urged advisers to write out two lists when conducting platform due diligence: one listing all the services that either directly benefit or indirectly benefit clients and one that lists all the services that only benefit the firm.

He said: 'In most instances the clients end up paying for the platform. So it is not sustainable if clients end up paying for advisers' benefits. Advisers need to understand and clearly record when something benefits them but also ultimately benefits the client as a result. Firms need to document why a platform's service has a positive impact on its clients.

"Advisers must not pick a platform purely because it creates greater convenience for them when there is no benefit to the client. That will come under increasing scrutiny from the regulator."

For example, Neilson said platforms enabling advisers to do administration quicker and cheaper has an indirect benefit of leading to lower costs for clients.

Neilson added firms should also be as robust and rigorous with their due diligence on other services, including discretionary fund managers.

Nucleus is set to launch an updated version of its white paper on platform due diligence shortly, outlining the key issues it believes advisers should consider when picking a platform as part of an on going review.

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About Nucleus

Nucleus is a wrap platform founded in 2006 by advisers committed to altering the balance of power in the industry by putting the client centre stage.

Since then, Nucleus has established itself as a major force for change. It is now one of the UK's fastest growing platforms and the meeting point for more than 400 adviser firms seeking to create better customer outcomes.

As at 31 December 2016, assets under administration on the platform were £8.9bn.

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