

Press release: CMA sets out investment consultants reforms

It follows an extensive [market investigation](#) into the sector which the Competition and Markets Authority (CMA) started in September last year, at the request of the Financial Conduct Authority (FCA).

Investment consultants advise pension trustees, who oversee companies' pension schemes, on how to invest their funds. Some pension trustees delegate investment decisions to fiduciary managers. A number of firms offer both services.

These firms have influence over half of all UK households' retirement savings and advise on pension scheme assets worth £1.6 trillion. When the pension scheme gets good investment advice, this helps secure the retirement incomes of its members.

The CMA has found competition problems within both the investment consultancy and – to a greater degree – the fiduciary management markets. Its final conclusions are that:

- Some pension trustees will choose their existing investment consultant to be their fiduciary manager even if a better deal may be available elsewhere, with only a third of pension trustees asking fiduciary managers to compete for their business through a tender.
- Investment consultants who offer fiduciary management services also have an advantage when it comes to getting business from existing clients, as they are able to steer customers towards their own service.
- Many pension trustees do not have sufficient information on the fees or quality of investment consultancy and fiduciary management to be able to judge if they're getting a good deal from their existing provider, or if they could do better elsewhere.
- These features reduce pension trustees' ability to effectively compare all their options and reduce providers' incentives to compete. We consider that this could lead a worse deal for pension trustees and the people whose pensions they manage.

The CMA will now require a number of changes to these markets to deal with its concerns, including:

- Pension trustees who wish to delegate investment decisions for more than 20% of their scheme assets to a fiduciary manager must run a competitive tender with at least three firms. Trustees who have appointed a fiduciary manager without a tender must put the service out to tender within five years. This will increase competition and reduce the competitive advantage held by incumbent investment consultants when it comes to getting new business.
- Fiduciary management firms must provide potential clients with clear information on their fees and use a standard approach to show how they

have performed for other clients, so that pension trustees have the information they need to compare different providers.

- The CMA recommends that The Pensions Regulator (TPR) produces new guidance to help trustees with these services.
- The CMA also recommends that the UK Government broadens the regulatory scope of both the FCA and TPR, to ensure greater oversight of this sector in the future.

John Wotton, Chair of the CMA's Investment Consultants Market Investigation, said:

This is an extremely important sector that influences how well millions of people's pension savings are invested, yet we've found that many pension trustees may not be getting the best value for money for their members. Some lack the information they need to compare providers and so could be sticking with their existing investment consultant or fiduciary manager when there are better options available.

It's therefore imperative we make these changes so that the sector works better for those it is meant to support – pension scheme members.

The CMA will issue a draft of the Order(s), which will set out its requirements, for consultation in early 2019. Implementation of the new requirements is expected to begin later in the year.

Notes to Editors

1. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law.
2. As set out in the FCA's [terms of reference](#), the investigation covers investment consultancy services, which provide advice to institutional investors (mainly pension funds) and employers on their pension schemes; and fiduciary management services, where the provider makes and implements decisions for the investor (for example, to select a fund in which to invest).
3. The CMA appointed a group of independent CMA panel members to carry out the investigation and make decisions in this case, which is chaired by John Wotton, one of the CMA's designated inquiry chairs. The other panel members are Lesley Ainsworth, Bob Spedding and Tim Tutton. All the appointees are chosen from the CMA's expert independent panel members, who come from a variety of backgrounds, including economics, law, accountancy and business.
4. Enquiries should be directed to the press@cma.gov.uk, on 020 3738 6460.
5. For more information see the [CMA's homepage](#), or follow us on Twitter [@CMAGovuk](#) and [LinkedIn](#). Sign up to our [email alerts](#) to receive updates on the markets cases.