

Press release: Final step taken in CMA reform of investment consultants

This marks the final step of the Competition and Markets Authority's (CMA) reform of the investment consultancy and fiduciary management sectors, after its in-depth investigation found significant competition concerns.

Investment consultants and fiduciary managers play an important role in ensuring over half of all UK households' retirement savings are invested wisely. They advise and provide services to trustees that oversee companies' pension schemes.

Today's Order requires fiduciary managers – who make investment decisions on behalf of trustees – and investment consultants to provide clearer information about what their customers are getting for their money, and incentivises pension scheme trustees to shop around to make sure they are getting the best deal to suit their needs.

Amongst other things, it requires:

- pension scheme trustees who wish to delegate investment decisions for 20% or more of their scheme assets must run a competitive tender when first purchasing fiduciary management services, meaning they must ask at least 3 fiduciary managers to bid for their work. This means they can then select the best deal for their needs. The CMA's investigation found that many trustees used only the fiduciary management service offered by their investment consultant, without exploring alternatives
- pension scheme trustees who have already appointed a fiduciary manager for 20% or more of their scheme assets without a tender must put the service out to tender within 5 years
- fiduciary management firms to provide potential new customers with more information on their fees and performance, so they can compare service providers with ease. They must also provide more information on their fees to their existing clients

John Wotton, Chair of the investigation, said:

Millions of people rely on pension scheme trustees to invest their savings effectively – which is why it's so important that trustees shop around for the best deal for them. Our investigation found that many trustees lack the information needed to assess and compare investment consultants and fiduciary managers, meaning they may not be getting the best value for their members' money.

By putting the requirements of our investigation into law today, we will increase competition and make sure these markets work better for UK pension beneficiaries.

Trustees, fiduciary managers and investment consultants now have 6 months to ensure their practices are in line with the Order's requirements – if any are found not to be complying, the CMA could take them to court.