Guide to adviser charging

Adviser

Countrywide Assured

Introduction

- Countrywide Assured plc ("Countrywide Assured") is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. Firm reference no. 141916.
- CASFS Ltd ("CASFS") is authorised and regulated by the Financial Conduct Authority. Firm reference no. 472783.

Where we refer to Countrywide Assured in this document, this includes CASFS where appropriate.

Both the FCA and the PRA are referred to as the regulator throughout this document.

This document describes Countrywide Assured's approach to adviser charging.

The rules for adviser charging apply to all personal recommendations relating to designated investment business from 31 December 2012.

Contents

Frequently asked questions

What adviser fees can Countrywide Assured facilitate from its products?

We can facilitate the payment of adviser fees for both initial advice costs (initial adviser fees) and ongoing reviews and service (ongoing adviser fees). Depending on the product these are facilitated in different ways, such as before or after investment in the product. We can also facilitate a one-off payment of adviser fees (ad hoc adviser fees).

The options are illustrated by the tables in the following pages. Please note that not all options are available on all products.

Who will we accept instructions from?

The client. The regulator's rules require that we will only pay adviser fees on the basis of explicit instructions from the client. Exceptionally, we will accept an instruction from a financial adviser but only to reduce the amount of adviser fees or to stop payment altogether. Any instruction to change or to start paying adviser fees on a product must be made using the appropriate *Adviser fee instruction* form, available on our website or on request.

What happens if a client invokes their cancellation rights at the outset?

The agreement between the financial adviser firm and client should clearly set out the basis on which the service is provided and the circumstances in which fees are payable.

Countrywide Assured's normal practice will be to release initial adviser fees to a financial adviser firm once the application has been processed. If the client then cancels the contract before the end of the cancellation period, the repayment of any adviser fees must be resolved between the client and the financial adviser.

Any pension transfers must be returned gross of any adviser fees to the transferring scheme and those fees will then be clawed back from the financial adviser firm.

This approach does not prevent a financial adviser firm from agreeing separate payment arrangements with their clients (not requiring payment via the product).

What happens if the client instructs us to reduce or to stop paying adviser fees?

We will do as instructed. We will also notify the financial adviser firm of the client's instructions. We reserve the right not to facilitate adviser fees and we may exercise this right if we believe variations in client instructions are unreasonable.

What happens if the client changes their financial adviser firm?

When payment of the original financial adviser's initial adviser fee is being facilitated through a regular premium/contribution product, it is possible for us to continue payments to the original financial adviser firm, unless the client advises us to stop these payments. We will keep the original financial adviser informed accordingly.

Transfer of ongoing adviser fees to another financial adviser firm can occur subject to receiving an explicit adviser charging instruction from the client to do so.

The regulator's rules specify that ongoing adviser fees can only be paid if the financial adviser is providing an ongoing service. This means that if the original financial adviser firm is no longer providing a service, ongoing adviser fees can no longer be paid to that firm. This will be our default position.

What happens if the financial adviser acquires a new client who wants to pay for ongoing advice via adviser charging?

We need an adviser fee instruction from the client to facilitate payment. The client will be asked to confirm that the ongoing adviser fees to the original financial adviser should cease, and that payment can continue to a new financial adviser firm. The client should also be supplied with an illustration showing the effect of any new or increased adviser fees (or given sufficient information to be able to understand the likely effect of the facilitation).

We can only facilitate ongoing adviser fees for the products as shown in the tables in the following pages.

What happens if the adviser changes firms while adviser fees are still being paid?

We only facilitate payments to the authorised financial adviser firm, not to the regulated individual (RI) and so payments would continue to the original financial adviser firm.

What about VAT?

It is your responsibility to account for the applicable VAT payable (if any) in relation to any remuneration that we pay you. All payments made to you by us will be deemed to be inclusive of VAT where appropriate.

We will supply statements to the financial adviser firm, which will only differentiate between any initial adviser fees, ongoing adviser fees, ad hoc adviser fees and any continuing commission payments still being paid.

Whether the financial adviser firm needs to charge VAT will depend on the service being provided. Further information is available from HM Revenue & Customs (HMRC).

All adviser fee instructions we receive should be for the gross amount, including any VAT the financial adviser may need to charge.

Adviser fee options: Portal products

Initial adviser fees – single premiums or transfer values

	ISA	GIA[1]	Personal Pension	Onshore Bond
% of premium/transfer values	Yes	Yes	Yes	Yes
Specified amount	Yes	Yes	Yes	Yes
Adviser fee deducted	Before investment	Before investment	From product	Before investment

Initial adviser fees – regular premiums

	ISA	GIA[1]	Personal Pension	Onshore Bond
Specified regular amount	Yes	Yes	Yes	n/a
Adviser fee deducted	From product	From product	From product	n/a
Maximum adviser fee (% of each premium)	50%	50%	50%	n/a
Maximum payment period	24 months or two years	24 months or two years	24 months or two years	n/a

Ongoing adviser fees

	ISA	GIA[1]	Personal Pension	Onshore Bond
% of fund value	Yes	Yes	Yes	No
Specified amount	No	No	No	Yes[2]

Ad hoc adviser fees

	ISA	GIA[1]	Personal Pension	Onshore Bond
Specified amount	Yes	Yes	Yes	Yes[2]

[1] GIA = General Investment Account.

[2] Available at our discretion for trust cases.

Adviser fee options: specialist products

Initial adviser fees – single premiums or transfer values

	OneSIPP[2]	Versatile Investment Portfolio and Onshore Bonds available via an investment platform	Transfer Pension Portfolio
% of premium/transfer values	Yes	Yes	Yes
Specified amount	Yes	Yes	Yes
Adviser fee deducted	From product	Before investment	From product

Ongoing adviser fees

	OneSIPP[2]	Versatile Investment Portfolio	Transfer Pension Portfolio
% of fund value	Yes	No	Yes
Specified amount	No	Yes[1]	Yes

Ad hoc adviser fees

	OneSIPP[2]	Versatile Investment Portfolio	Transfer Pension Portfolio
Specified amount	Yes	Yes[1]	Yes

[1] Available at our discretion for trust cases.

[2] Initial adviser fees are not available for regular contributions to OneSIPP and should be taken from the single premium or transfer value element.

Important notes and tax implications

Initial adviser fees

We have considered the likely tax implications for clients in determining how we will facilitate adviser fees. Where initial adviser fees are taken prior to investment in the product, this is done either to maximise available allowances or to minimise exposure to potential taxable events. For example, for onshore investment bonds, we think it's important that clients should be able to use the 5% annual tax deferred withdrawal allowance as far as possible. As the initial adviser fee is paid before investment, the client's entitlement to future 5% capital withdrawals is protected. The initial adviser fee is also paid in this way for single ISA subscriptions to allow the client to make full use of their annual ISA allowance. Our view on pensions is that it can be in the client's interests to pay the adviser fee from invested funds, so that where tax relief is available via relief at source it has been allocated to the full amount of contributions.

It is important to note that tax treatment can depend on individual circumstances and may be subject to change in the future.

Ongoing adviser fees

Any ongoing adviser fees paid from an onshore investment bond will be treated as capital withdrawals and will reduce the availability of the 5% allowance. This can be detrimental to the tax planning objectives of the arrangement where withdrawals are required. By expressing ongoing adviser fees as a fixed monetary amount rather than as a percentage of value, the client and financial adviser can clearly determine from the outset the amount of the 5% annual allowance that remains available to draw without incurring an immediate tax liability.

Clients and financial advisers can agree the payment of ongoing fees on either a monthly or quarterly payment basis.

Onshore bonds and trusts

For onshore bond cases using Countrywide Assured specimen trusts, the initial adviser fee will be facilitated as described above. Ongoing and ad hoc adviser fees will be available for trust cases where they do not compromise the tax-planning benefits of the arrangement. The trustees may be required to complete an additional adviser fees instruction to cover any regular servicing requirements.

Pensions

HMRC has certain rules that effectively prohibit the payment of adviser fees from pension products if the fee is for advice on non-pension product matters. This means that the cost of all financial advice cannot be entirely facilitated by payment of adviser fees from pension arrangements.

Products taken out prior to 31 December 2012

We can only facilitate adviser fees for the products detailed in the tables on the previous pages.

Top ups and regular increases (including transfers in)

If the client wants to top up any products which were originally set up on a commission basis prior to 31 December 2012, it will be necessary to hold the top-up amount in a separate sub account or policy. A top-up application, including an adviser fees instruction, will be required.

Any automatic increases that were arranged prior to 31 December 2012 and will take effect after that date can continue to generate commission.

If further one-off or increased regular contributions are made to any of our legacy pensions products (such as pension portfolios or retirement programmes), any adviser fees agreed between the financial adviser firm and the client must be paid separately. Alternatively, we can accept direct instructions from the client for such increases on the basis that no financial advice has been given.

Where a financial adviser firm and the client entered into an agreement prior to 31 December 2012 for fund-based renewal commission to be paid, this will continue for existing arrangements.

Fund or model portfolio switches

If we receive instructions for a fund or model portfolio switch on an existing Countrywide Assured Portal GIA or ISA, it will be necessary to convert that account from a commission basis to an adviser fee basis. We will require a fund switch authority to be completed as well as an adviser fees instruction. As this will mean new adviser fees are being set up, the client will also need to be supplied with an illustration showing the effect of the adviser fees (or given sufficient information to be able to understand the likely effect of the facilitation). The existing commission will be cancelled and the whole account will convert to adviser fees from the point that we process the client's instruction.

Existing automatic rebalances of model portfolios are not regarded as a switch, and GIA/ISA accounts will therefore continue on a commission basis where there is no instruction to change the original model selected.

The regulator does not require switches within 'life products' to trigger a conversion to adviser fees and this definition includes pension products for this purpose. Consequently, switches of funds or model portfolios held within any other Countrywide Assured product will not affect the ability to continue to pay existing trail commission agreed before 31 December 2012. This also applies to existing accounts held in the specialist Countrywide Assured ISA product, which holds life policies as the underlying investment.

Ad hoc adviser fees

We will require completion of an adviser fees instruction to make any further ad hoc payments from products which were originally set up on a commission basis prior to 31 December 2012. The client should receive an illustration (or be given sufficient information to be able to understand the likely effect of the facilitation showing the effect of the ad hoc payment prior to agreeing to the agreement). We can only facilitate ad hoc payments on the products where this is allowed (as shown in the tables on the previous pages). You should note that any ad hoc adviser fees on onshore investment bonds could potentially give rise to a chargeable event, if the 5% annual allowance is exceeded.

Zest Solutions

The Zest Solutions fund range closed on 31 December 2012 and we are unable to accept any further monies into these funds. Clients who are still making regular payments to Zest Funds have been contacted accordingly to suggest that they seek advice from their financial adviser. They may select an alternative investment choice from our Pinnacle Range. Existing investments in Zest Solutions will be unaffected and trail commissions and fund manager rebates can continue on business agreed prior to 31 December 2012.

Further information

Should you require any further information please contact Countrywide Assured on 03330 155 600.

Warning

The information contained in this guide is based on our understanding of tax law and HMRC practice at the date of issue of this document, which are both subject to change.

Countrywide Assured reserves the right to vary the terms and conditions on which it is willing to facilitate adviser fees without notice and subject to the regulator's requirements, which may also be subject to change.

In the event of being unable to continue to facilitate adviser fees, for whatever reason, Countrywide Assured accepts no liability whatsoever for the payment of the remaining balance of any fees due to any financial adviser firm; liability for such payment will remain with the financial adviser's client.

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