

Strength & Security

A guide to the financial security of James Hay and IPS as part of IFG Group

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Strength & Security

James Hay, IPS & IFG Group

James Hay and IPS are both leading SIPP providers which together make up the UK's largest provider of self-invested pensions. Each company's reputation is based on a proven ability, over more than 30 years, to meet the service needs and expectations of Financial Advisers who receive unrivalled technical and professional support from James Hay and IPS.

Their unique expertise and award winning service have made them the UK's leading specialist provider of services for those who wish to control the management of their investment and pension portfolios.

James Hay and IPS are wholly owned subsidiaries of IFG Group Plc, a highly diversified financial services company specialising in the provision of independent financial advisory and administrative services. With headquarters in Dublin, IFG Group plc has major operations in the UK, Ireland, Isle of Man, Jersey, Cyprus and Switzerland.

IFG Group plc has a full listing on both the Irish and London stock exchanges. It continues to have a strong balance sheet, and was able to raise the capital from the markets and existing investors to buy James Hay, which was bought with cash rather than debt.

Summary of 2009 results -

- IFG Group beat expectations with adjusted earnings per share of **20.6** cents (IFG Shares are quoted in Euros). This was a drop of 10pc year-on-year but was ahead of analysts' estimates of between 18.7 cents and 19.8 cents per share.
- Operating profit of **€17.9 million** was down just over €3million on 2008. This was slightly under estimates of €18.6m and was blamed on a weak pound. The dividend remains unchanged at 3.63 cents per share.
- The UK businesses contributed just over **€5.2 million** in 2009 compared to €6.8million in 2008.

- Analysts welcomed the purchase of James Hay in March 2010 as James Hay's contribution is expected to help reduce net debt to zero by the end of 2011, rather than early 2013 as was predicted.
- Profits from IFG Group's business outside the UK and Ireland remained consistent, returning an operating profit of **€12.15 million**, down very slightly from 2008.
- Bloxham Stockbrokers described the 2009 results as "**a very strong set of results**" while Oliver Gilvarry at Dolmen was positive about the firm's position. "The strong market positions and the strong balance sheet leaves the group well positioned for 2010," he said.
- Total assets under administration and advice of circa **€60 billion**.

Full details of IFG Group's performance can be found on the Group's website www.ifggroup.com

Protection via Trust Structures and FSCS

James Hay Pension Trustees Limited (JHPT), PAL Trustees Limited (PAL) and Union Pension Trustees Limited (UPT) are the SIPP's' trustee companies which own and control all assets of the companies SIPP products. Both cash and investments are held under this trust protection. The trustee companies are the legal owner of the assets they hold in trust for each SIPP client. These assets under trust are kept entirely separate from the assets of the firms themselves. This means that the cash and assets held in each SIPP are entirely ring-fenced. This legal separation means that in the unlikely event that James Hay or IPS became insolvent, the assets held for SIPP clients could not be accessed by the creditors of the limited companies. This would enable them to be transferred to another pension provider.

Each SIPP client should also consider what happens where James Hay and IPS remain solvent, but one of the companies that SIPP investments or cash deposits have been placed with at the client's request were to become insolvent.

SIPP Cash

In the case of James Hay clients, all SIPP monies (not already applied for investment purposes) are held under the protection of the James Hay trust, in a separate designated bank account for each SIPP client. These accounts are placed with Santander UK plc (Santander). For IPS clients, funds awaiting investment are held in a pooled designated client account with Barclays Bank plc.

In each case the banks used are authorised and regulated by the Financial Services Authority (FSA) and are covered by the Financial Services Compensation Scheme (FSCS). James Hay and IPS have also made an assessment of the banks' security and future prospects. This means that in the unlikely event that one of the banks fails, James Hay or IPS (as sole authorised signatory), would be able to make a claim under the FSCS in respect of each SIPP member who has monies in these accounts. Each of the underlying SIPP members would be classed as the "Eligible Claimants" by the FSCS under the FSA rules.

The current FSCS limit for bank accounts is 100% up to £50,000 and this limit should therefore be applicable to each SIPP member having monies invested in an account with Santander or Barclays.

Unit Trust and OEIC Investments

The assets held within a Unit Trust or Open Ended Investment Company (OEIC) are held by the trustee or depositary (respectively) for the fund independently of the fund management company that manages the fund. Therefore, the assets are ring-fenced by both law and FSA regulations to protect the unit holders of these funds. The failure of the fund management company will not place the assets of the fund at risk. However, the trustee or depositary may temporarily suspend dealing in the units pending the appointment of a new fund management company to manage the assets of the fund.

Shares Held in Nominee Name

The ownership of any shares will remain with JHPT, PAL or UPT whilst they form part of a SIPP, but the shares will be registered in the name of a nominee (usually a custodian bank or investment manager). In these circumstances these assets are ring-fenced from assets of the nominee firm itself, so that, in the event of their failure, the assets will still be available to the underlying client.

Other Types of Investment

Where other types of investment are held within a SIPP, then the applicability of the FSCS would have to be reviewed on a case-by-case basis for the type of investment. However, offshore investments will be subject to the compensation scheme regulations in the applicable offshore jurisdiction.

Investment Managers and Stockbrokers

An investment manager or stockbroker will hold clients' assets in a nominee name (see Shares Held in Nominee Name above) and cash in a client money account which is also ring-fenced from the firm's own assets and creditors. However, if an investment manager or stockbroker holding James Hay or IPS SIPP monies or assets were to fail and the above protections were not followed, then provided the investment manager or stockbroker is authorised by the FSA, the monies or underlying assets of the SIPP held by the investment manager or stockbroker (held outside the nominee accounts or client money accounts, because those are already protected as described above) should be protected under the FSCS up to a maximum claim of £50,000 per failed investment manager/stockbroker. The limit should be applied at SIPP member level provided the assets and cash held by the investment manager or stockbroker are clearly held for each individual SIPP member. James Hay and IPS would make a claim on behalf of affected members.

Important Note

This represents James Hay and IPS's understanding as at May 2010 of FSCS policy, its limits and how the assets of the James Hay and IPS SIPPs are protected under the FSCS. It is important to note however that the FSCS ultimately has absolute discretion in such matters and its approach may differ from this understanding depending on the specific circumstances which results in its involvement.

James Hay is able to provide literature in alternative formats. The formats available are: Large Print (as recommended by RNIB), Braille, Audio Tape and PC Disk. If you would like to receive this document in an alternative format please contact us on 0845 850 4455. For the hard of hearing and / or speech impaired, please use the Typetalk service via 18001 0845 850 4455.

The IPS Partnership is the trading name of IPS Pensions Limited (company number 2601833) and The IPS Partnership Plc (company number 1458445). Both IPS Pensions Limited and The IPS Partnership Plc are companies registered in England with the registered address of Trinity House, Anderson Road, Swavesey, Cambridge CB24 5UQ, United Kingdom. IPS Pensions Limited and The IPS Partnership Plc are independently authorised and regulated by the Financial Services Authority. IPS Pensions Limited and The IPS Partnership Plc are wholly owned subsidiaries of IFG Group Plc

The James Hay SIPP product is provided by James Hay Insurance Company Limited (JHIC), which has appointed James Hay Pension Trustees Limited (JHPT) as trustee and James Hay Administration Company Limited (JHAC) as scheme administrator. JHIC is regulated by the Jersey Financial Services Commission and is registered in Jersey (Number 77318) at IFG House, 15 Union Street, St Helier, Jersey, JE1 1FG. JHPT (registered number 1435887) and JHAC (registered number 4068398) are both registered in England and have their registered office at: Trinity House, Buckingham Business Park, Anderson Road, Swavesey, Cambs, CB24 4UQ. JHIC, JHPT and JHAC are part of the James Hay group of companies, which is a wholly owned subsidiary of IFG Group PLC. JHAC is authorised and regulated by the Financial Services Authority (FSA) under Firm Reference Number 460698 and you can check this authorisation at www.fsa.gov.uk/register or by calling the FSA on 0845 606 1234.

James Hay WRAP Managers Limited is a wholly owned subsidiary of IFG Group PLC, providing web-based transacting, reporting and administration facilities. Registered number 4773695 is registered in England and has its registered office at: Trinity House, Buckingham Business Park, Anderson Road, Swavesey, Cambs, CB24 4UQ. Authorised and regulated by the Financial Services Authority (FSA) under Firm Reference Number 225574 and you can check this authorisation at www.fsa.gov.uk/register or by calling the FSA on 0845 606 1234.