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'We get compared with Brazil teak funds': UCIS providers speak out

UCIS providers discuss how they market their products to IFAs and what they make of the FSA's new strong-arm approach to those who recommend them…
Sharing tales of outlandish investment opportunities is fast becoming some advisers favourite pastime. One even keeps a folder storing his all-time favourite pitches, from green oil to self-storage. All, he said, guarantee returns and offer generous trail commissions.

Most of these product pitchers offer Unregulated Collective Investment Schemes (UCIS), funds which have not received regulatory approval and are not covered by the Financial Services Compensation Scheme (FSCS) but which can be and are marketed to UK individuals through IFAs. Further reading That may be set to change.

The FSA has become increasingly bullish on UCIS in recent months to the point where, in November last year, it described life settlement funds, a form of UCIS more commonly used by advisers, as Ponzi schemes. It is frustrating that we get associated with things like Brazilian teak funds, said Jeremy Leach, managing director of MPL Ltd, a life settlement fund provider. I sympathise with the challenge the FSA has, but its comments were misguided and inappropriate. As a whole, UCIS seem to be becoming increasingly unappealing to the average
adviser. However, as a recent report by support services provider Threesixty notes, IFAs must consider them and understand how they work if they wish to continue describing themselves as independent.

That there is a demand for life settlement funds and other, reputable, UCIS is self-evident, according to the Threesixty report, but there is widespread confusion about how the products should be used when they are deemed suitable for a particular client.

The last time the FSA reviewed UCIS was in 2010, when it uncovered failures by advisers to properly assess the products suitability for their customers. Most firms understand UCIS funds fall outside the FSCSs remit, MPLs Leach said, though not the reasons why many are based offshore. Offshore funds were never created to avoid regulation, but to be more fiscally advantageous for investors. If you are offering the fund to more than one jurisdiction, you need to have neutrality with regards to tax. Still, providers are aware the UK presents particular challenges. We have two separate markets, and we target them differently, said Patrick Dean, business development director at Taylor Moor, a UCIS provider which runs the Axiom Legal Financing fund. In the UK, much of the discussion concerns educating on UCIS as a whole, so firstly we try and promote understanding.
Developing solid relationships with platforms is also essential, he added.