



### **How am I covered if things go wrong?**

We aim to build long-term relationships with our clients that are built to last. We have never had a complaint and do not lose clients, but if a disagreement did occur in the future, we are happy to be open and transparent about our complaints handling process, your rights as a consumer and further protection should institutions fail.

If a client complains we have a duty to investigate their concerns and our compliance officer will look into their complaint on an impartial basis, and within a set time frame. If we cannot settle a disagreement with a client, they will be made aware at the end of our internal complaints handling process that they can contact the Financial Ombudsman Service.

### **Financial Ombudsman**

#### **Settling disputes between customers and companies**

The Financial Ombudsman Service (FOS) is an independent official body, established by Parliament, for settling disputes between UK-based financial companies and their customers. Regulations state these companies must 'treat customers fairly'. If they don't, the FOS is there to provide a free way to seek a fair outcome.

While the Ombudsman could potentially say that you don't have a case, it won't order you to pay extra costs. So, at worst, you'll be in the same position you were before the complaint. The service is also not just for new complaints. In many circumstances, you can complain about something that happened up to six years ago.

While the Ombudsman has the power to investigate cases, its primary role is actually in settling disputes between customers and companies. These may sound like the same thing, but it can often solve the problem without an investigation. The service is completely free, and it won't take sides – their job is to ensure that complaints are dealt with and fair play is carried out.

### **Professional indemnity insurance**

**Why is it important? How it works.**

Professional indemnity insurance (PII) is liability insurance that covers firms when a third party, like a client claims to have suffered a loss, usually due to professional negligence.

**The Financial Conduct Authority (FCA) requires certain firms to hold this kind of cover because:**

- It provides an extra financial resource that you can pay justified claims from.
- It helps prevent insolvency and excessive claims on the Financial Services Compensation Scheme, which is funded by firms that are still trading.

**Minimum requirements**

It is a firm's responsibility to take out adequate cover, as set out in the FCA rules, and to consider the effect that their PII policy's terms and conditions might have on their business.

The FCA minimum limits for firms are €1,120,200 for a single claim and €1,680,300 in aggregate. Indemnity limits for firms not subject to the Insurance Mediation Directive are not affected.

If firms do not take out cover in euros, it should still meet their minimum limits when converted back into euros – both when the policy is first agreed and when it is renewed.

**Firms must have:**

- Continuous cover since the start of the firm's authorisation
- A policy excess (retention) that is no higher than the minimum level specified cover in respect of Financial Ombudsman Service awards made against the firm

The policy details must be reported correctly on the Retail Mediation Activities Return (RMAR), which is the relevant FCA regulatory report.

**Fund protection**

**Safety of your money is paramount**

Clients investing in an Open-Ended Investment Company (OEIC) or a unit trust are protected by a trust structure. Funds are held in the client's name and protected by a custodian. The custodian holds our client's securities for safekeeping and is responsible for the safety of our client's funds.

Every time the fund manager buys shares in a company, they agree a price to buy shares with the broker, and then inform the custodian about it. The fund manager is appointed by the OEIC or unit trust to undertake transactions on the fund's behalf on an arm's length relationship and does not handle client cash directly.

The custodian ensures the transaction happens by exchanging cash for the shares with the broker. The main job of the custodian is to physically hold all of the assets, account for them formerly and report this to the trustees and execute all the transactions made in the client's name. As well as accounting for all our client assets, the custodian can look across our client's portfolio and independently measure the performance against a range of benchmarks.

Setting up and running an OEIC involves adherence to considerable regulation, administration and time. The specialist expertise and resources required to administer funds on a day-to-day basis mean that outsourcing this to an experienced third-party custodian is our preferred option.

## **Platform protection**

### **Safety of your money is paramount**

At Callisto we invest a lot of our client's assets onto an online platform that allows them to see their portfolio and any transactions that have been carried out, whenever they want to. The platform is the custodian of the client's assets and it is important for our clients to understand what protections are in place, should the platform experience any future difficulties.

### **The failure of Other Regulated Firms on a Platform**

It may be possible to make a claim to The Financial Services Compensation Scheme (FSCS) for compensation in the event another regulated firm – that is not the platform – is in default. For example, if a firm regulated by the FCA has promoted an investment product and has misrepresented anything material, and if that firm is then unable to pay compensation to people who suffered loss as a result of relying on that misrepresentation, the FSCS is likely to declare the firm in default. At that stage, the FSCS would invite the platform to submit a claim. We work with your platform and the FSCS to process eligible claims. The precise details of how the FSCS handles claims tend to depend on the circumstances. If a client is an eligible claimant, the maximum amount paid by the FSCS is £50,000 per claim.

### **The Failure of a Platform**

A claim to the FSCS or the Isle of Man equivalent for compensation in the event that a platform is in default is a measure of last resort. This is because the money and assets belonging to those companies are held separately from money and assets belonging to clients, and therefore there should be no loss and no need to make a claim against platform. In the unlikely event of there being a loss caused by a platform, a claim to the FSCS will only be required if the platform has no money to pay compensation, in which case the FSCS will declare the relevant company "in default".

The levels of protection under the FSCS are detailed below.

## **The Financial Services Compensation Scheme**

### **Why is it important? How it works.**

The Financial Services Compensation Scheme is the UK's statutory fund of last resort for customers of financial services firms. This means the FSCS can pay compensation to consumers if a firm is unable, or likely to be unable, to pay claims against it. FSCS is an independent body set up under the Financial Services and Markets Act 2000 (FSMA).

The FSCS only considers a claim where the provider is unable to meet its financial obligations, such as when the firm is declared in default or insolvent. This declaration can take place fairly quickly, but despite this compensation may not be required.

### **Investments**

The maximum level of compensation for claims against firms declared in default or after 1 January 2010 is £50,000 per individual, per firm. Investments covered under these activities include stocks and shares, unit trusts, futures and options, personal pension plans, and life product-based investments such as personal pensions, investment bonds and endowments. It should however be noted that in the event of the default of a life insurance product provider that the compensation limits that will apply for these life-based investments (i.e. investment bonds, personal pensions and endowments) will be as per the long-term insurance limits below, not the £50,000 limit.

### **Deposit Based Investments**

The maximum amount of compensation for deposit based investments i.e. money in current accounts, savings accounts, etc. is £75,000 per person per authorised firm, for claims against firms declared in default from 3 July 2015.

From 3 July 2015, the FSCS will provide a £1 million protection limit for temporary high balances held with banks, building society or credit union if those institutions fail.

### **Home Finance (Mortgages)**

Home financial mediation (i.e. advising and arranging activities in relation to mortgage and other home finance products) is covered under the FSCS, but mortgage-lending activities do not give rise to an eligible claim.

For home finance mediation, the maximum level of compensation for claims against firms declared in default on or after 1 January 2010 is £50,000 per individual, per firm.

### **Insurance**

Insurance policy holders are protected if they are insured by authorised insurance companies under contracts of insurance issued in the UK, or in some cases in the EEA, Channel Islands or Isle of Man. The scheme covers compulsory, general and life insurance and is triggered if an insurance company goes out of business or into liquidation. From 14 January 2005, the scheme also covers insurance broking.

The maximum level of compensation available from the scheme for a valid claim against an insurance company depends on the type of insurance policy,

Although the FSCS may arrange to transfer policies to another insurer, provide a new policy or, if this has not been possible, provide compensation.

### **General Insurance (Providers)**

In respect of an insurance company declared in default on or after 3 July 2015, the maximum level of compensation for claims in respect of the following types of insurance is 100% of the claim with no upper limit:

- Claims for compulsory insurance (for example, third party motor and employer's liability)
- Claim under professional indemnity insurance
- General insurance claims for injury, sickness or infirmity of the policyholder

Non-compulsory insurance (for example, home and general insurance) – 90% of the claim with no upper limit, for claims against firms declared in default on or after 1 January 2010.

### **General Insurance (advice and arranging)**

For firms in declared in default on or after 29 April 2016, the maximum level of compensation for claims in respect of mediation of the following types of insurance is 100% of the claim with no upper limit:

- Pure protection contracts
- Professional indemnity insurance
- General insurance claims arising from the death or incapacity of the policyholder due to injury, sickness or infirmity

The increase in FSCS protection to 100% from 29 April 2016 is in respect of insurance mediation claims related to circumstances that are comparable to the failure of the insurer. These circumstances would include scenarios where an action by the intermediary led to the consumer's claim not being paid – usually either because:

- The intermediary had failed to pass a premium on to the insurer, had failed to pass claim payments on to the customer, or

- Had otherwise failed to do something which meant that a policy issued by an authorised insurer was not in force.

The 100%-limit also applies to advice and arranging of compulsory insurance.

For claims in respect of non-compulsory insurance (for example, home and general insurance), the maximum level of compensation is 90% of the claim with no upper limit, for claims against firms declared in default on or after 1 January 2010.

### **Long-Term insurance (for example, pensions and life assurance)**

Long-term insurance (for example, covers pension plans and life assurance) – the maximum level of compensation for claims against firms declared in default on or after 3 July 2015 is 100% of the claim with no upper limit.

Policyholders who invest in insured funds through ‘tax wrappers’ such as a personal pension plan. Or life investment bonds are protected under the long term insurance part of the FSCS (see above) if the provider goes into default.

However, there can be issues based on where you have invested and who is deemed to have made the investment. For example, external funds under a SIPP could be deemed to have been purchased by the provider and not the client, and therefore the provider will not be an eligible claimant should a bank or fund manager default, although if the SIPP is trust based then the trustee could be an eligible claimant on the clients’ behalf.

To help mitigate this, where a fund manager fails, quite often the fund will have custodians in place to separate the units from the fund manager itself and therefore, although the fund manager has failed, the underlying assets of the fund will be safeguarded for the investor. In such circumstances, there should be full value left and hopefully no loss, although there is the potential for a run of clients seeking to exit the fund manager’s funds leading to a reduction in value, but this would be an investment loss and therefore not covered by FSCS.

Therefore, in some cases whether or not a claim will be eligible depends on how the plan is set up and whether the investment is deemed to be the client’s investment or the provider’s investment. The FSCS is unable to comment further on this issue unless a claim has been made, and therefore it may be necessary to contact individual product providers to give a steer on how specific plans are structured.

## **Financial Planners’ Group**

### **The Power of More**

Prospective clients often ask what would happen to them and on-going advice and service if I suffered a serious illness, or something worse. Callisto has been a member of the Financial Planners Group since its inception in 2015. The Financial Planners Group are a group of like-minded financial planning

businesses, committed to applying the best financial thinking for the benefit of our clients. At the heart of the way we all operate is a fundamental belief in the power of financial planning and its ability to transform people's lives.

Remaining as six independent firms, we decided to also work together as a group, as we believe we can offer more and be more effective than we can purely in isolation. We have many things in common – great people, exceptional client service and outstanding results. We're also united by the same values – friendliness, professionalism and a commitment to working as a group. Each firm within the group share a common goal – we are all working towards providing our clients with an understanding of what wealth could really mean for them and hoping to create a clear vision for them of the lifestyle they might want, both now and in the future. If you've ever watched cyclists racing, you'll see them taking it in turns at the front to bear the brunt of the wind. They all know they will each go a lot faster and travel a lot further if they work together. That's why we, too, decided to pool resources. That also means that if something were to happen that meant your financial adviser at Callisto could no longer work on your behalf, a fellow member of the Financial Planners Group would step in to take over, meaning that you would continue to receive the same high standard of financial advice without affecting your circumstances in any way, and giving you peace of mind.

We like to think we are all knowledgeable, approachable and proactive financial planners as individual firms – multiplied by six, and you've got the Financial Planners Group.