



Seven
Investment Management

7IM's approach to Treating Customers Fairly

Background and Tenets of Seven Investment Management

Seven Investment Management Limited (7IM) was formed by 7 professionals who left their employment with large companies because they wanted to be able to offer an investment service that they would be happy to use themselves and offer to their families. At the time there was not another service like it in the market place – it was founded on the tenets of:

- Institutional investment approach and pricing for retail clients – cutting out the layers of additional charging prevalent in the retail financial world.
- Consistent and disciplined processes to ensure that all clients receive the same approach to their investments.
- Use of external expert managers and an unfettered universe to complement 7IM views – no-one can be the best manager in all markets all the time, so it would be in the clients' best interest to introduce other expertise into their portfolios.
- Clarity in communication, documentation and systems.
- No commission incentive payments to staff.
- Transparency in investment charges – only one fee related to the value of the portfolios being managed by 7IM.
- Everything visible to the client online and updated daily.
- Regular contact from the dedicated investment advisor with the client by way of phone calls, letters and face to face meetings.
- Looking to innovate and improve service, systems and processes whenever the opportunity arises.

With a total of over 125 years of experience between them, the 7IM founders knew that client satisfaction and very high service levels were the key to building the business. Both a Head of Client Relationships and a Client Care Manager were appointed to the Senior Management Team to ensure that the views of the clients were always represented. The Client Care Manager is responsible for the Treating Customers Fairly tenets within 7IM, reporting to the Chief Executive Officer.

As the firm grew, the 7IM founders realised that although the service had initially been designed for clients with £200,000+ to invest, there were those who really liked the process and structure 7IM undertook for its clients but who did not have the minimum investment amount required.

The process and structure was therefore offered to clients of Zurich Financial Services via their Personal Investment Bond and International Wealth Account, which brought the minimum investment down to £10,000. However, smaller investors still were not being catered for.

So, 12 months later, in December 2003, 7IM launched its own multi-manager funds designed with 5 different risk profiles, which meant that any client with £100 per month to invest could also access the expertise and asset allocation strategies of 7IM for their portfolios according to the amount of risk they wanted to take with their money. This launch was also prompted by requests from clients who wanted a more tax efficient strategy for their investments.

In April 2008, 7IM launched its range of actively asset allocated passive funds (AAP) in direct response to requests to lower costs within portfolios. By removing active fund managers and replacing their fund choices with passive instruments such as Exchange Traded Funds, which track an index instead of trying to beat the index, 7IM was able to significantly reduce the costs of the funds and provide a choice of fund styles to investors.

Listening to client views

We are committed to ensuring that what we provide is useful to our clients and that we take their views into account when designing, producing and enhancing the service.

Communicating clearly

We are open and honest in our communications with clients, providing a clear and understandable service with transparent charges.

Ensuring the correct client risk profiles

7IM does not tend to approach clients directly – they are usually introduced by their Wealth Manager (IFA) who will help them decide if the service provided by 7IM is suitable for them.

All clients with more than £200,000 to invest are asked to complete a fact find so that the 7IM investment advisor can establish not only the client's attitude to risk, capacity for investment and their objectives but also their level of experience with particular investment products and their degree of comfort when talking about financial matters. 7IM also gathers information on the client's attitude to risk via their IFA and through meetings where appropriate. No charges are made to clients for the provision of an investment proposal or review of holdings before they are transferred to 7IM. On an annual basis the client files are reviewed and the risk profile checked to ensure that any changes in the client's lifestyle or attitude can be reflected in the investments. The 7IM approach to investment and the fact find are also reviewed regularly to ensure that the approach 7IM takes is based on the most up to date research.

Clients with less than £200,000 are advised by their IFA on whether the 7IM OEIC funds will be suitable for their risk appetite and requirements.

Working with the right IFAs

We do not advertise our service. Rather, we talk to IFAs who have clients with £200,000+ to invest for our discretionary service or for investments into our funds and spend considerable time with them to ensure that they understand the service that is offered to clients, along with any risks involved. We provide literature for both the IFA and their clients.

The IFAs that form a good 'fit' with 7IM tend to be those who have the same values and ethics towards clients as 7IM and also tend to only charge fees, not commission to their clients. They have an interest in maintaining excellent client relationships as they depend on this for their reputation and referrals as well as their income.

We limit the amount of trail fees and introductory fees that an IFA can charge to clients of 7IM.

Service designed by client demand

We design products or change the design when clients request a specific product or suggest ways in which they would find it would be more useful to them (usually subject to a business plan and cost benefit analysis). We also change the design when we believe clients will benefit from the change but do so in consultation with clients' IFAs once we have had feedback that this is an understandable change and benefit.

We obtain feedback on our literature on a face to face basis in our meetings between clients and our advisors, which is then incorporated into the next edition of the literature. We have a few 'friendly' clients whom we ask for comments on new or planned literature.

When we make changes to current service offerings or plan to introduce a new offering, this is always subject to a business case and cost benefit analysis. Our business case documents include a section on TCF and we monitor the success of the new service including the element of TCF, not just on deadlines met, or profitability.

Asking for client feedback

We ask clients for feedback and act on it. We work extremely closely with IFAs and have regular meetings with the underlying clients so that we are able to gather feedback. Several changes to our systems and client reports were implemented as a result of that feedback.

Complaints are essential feedback

We take complaints very seriously. Complaints are recorded and dealt with by the Compliance Officer for 7IM, the Client Care Manager and the head of department relating to the complaint so that an impartial view can be formed. The nature of the complaint and the proposed action (or action taken) is noted at 7IM management meetings, which are held monthly. There is clear information for clients who wish to complain both on our website and in our terms and conditions.

The Compliance Officer maintains the management information relating to complaints, including the nature of the complaint, time to answer, resolution and decisions by the Financial Ombudsman Service should 7IM be unable to resolve the issue directly with the client.

No commission payments to staff

7IM staff are not incentivised by commission payments. All staff are paid a salary and there are discretionary performance-related bonuses available in some circumstances.

Management Information helps the business

Management information is maintained and discussed by the 7IM Management Team including sales, withdrawals, complaints, feedback, staff turnover, errors, project progress, systems usage and availability, compliance reports and press coverage.

The management information is specifically reviewed for TCF purposes at both management and board meetings.

Keeping costs low

One of our aims is always to keep our costs as low as we can without compromising on the quality of service that we provide to clients.

In addition, we also aim to keep the volatility in clients' portfolios low, so that they are not exposed to unnecessary risk and do this often by using low cost passive instruments.

Staff involvement

TCF tenets are included in each job description and measured as part of the 7IM appraisal process, which includes 'Doing The Right Thing' and 'Client Focus' as part of each and every role within the company.

The FSA expects 7IM to adhere to the following outcomes:

1. Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.
2. Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.
3. Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
4. Where consumers receive advice, the advice is suitable and takes account of their circumstances.
5. Consumers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and as they have been led to expect.
6. Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.