Financial Services Consumer Panel
AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

Telephone: 020 7066 9346
Email: enquiries@fs-cp.org.uk

ISA crowdfunding consultation
Pensions and savings team
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

15 September 2015

Dear Sir/Madam

ISA qualifying investments: consultation on whether to include investment based crowdfunding

This is the Financial Services Consumer Panel's response to HM Treasury's consultation on whether to include investment-based crowdfunding within Individual Savings Accounts (ISAs).

This is a young and high-risk market. The FCA continues to work with providers and platforms to improve the quality of their marketing materials and communications, particularly when describing risk. There is still more work to be done and the Panel believes it would be premature to include investments made through crowdfunding platforms within the ISA wrapper until these improvements have been made. The FCA has committed to a full post-implementation review of the crowdfunding market and regulatory framework in 2016. We believe that would be the right point to consider an ISA wrapper.

While the market is still being monitored, regulators should consider whether it is, or may become, necessary to introduce a requirement to take regulated advice before making equity crowdfunding investments. If crowdfunding platforms were to facilitate ISA transfers in the future, then regulated advice should certainly be required.

If the Treasury presses ahead with including these instruments in ISA wrappers, we believe certain safeguards are needed. The Panel believes that too little is being done to make people aware that, when they buy an investment through a non-advised channel, there is no FSCS protection. The Panel is concerned that consumers may see ISA eligibility as meaning their investment will be safe, offer fair returns and be covered by the FSCS. More needs to be done to inform consumers that, with crowdfunding investments, none of the above may be true.

We also think that Principle 2 in the consultation is not specific enough: "consumers should be treated fairly, with a proportionate level of risk that is communicated fully and transparently." The risk warnings on equity crowdfunding must be upfront, clear and standardised, in plain English, and cover both capital and liquidity risk. Consumers should also be warned that FCA regulations require them to certify that they are not putting more than 10% of their net investible assets into non-readily realisable securities.

Yours faithfully

Sue Lewis
Chair, Financial Services Consumer Panel