

# Value assessment for products and services

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## Introduction

I'm pleased to present this document to you. Although it serves a regulatory requirement, it is also a good opportunity for us to demonstrate how we provide value to you and your clients, and how we can help you deliver good outcomes for them.

As part of the FCA's Consumer Duty, product providers (like AJ Bell) and distributors (including financial advisers), have to ensure products deliver fair value to the retail customers they're aimed at. To evidence this, it's important to carry out a value assessment of the products used, and to review that assessment on a regular basis, appropriate to the nature and duration of the product.

To help you ensure that the products and services available are likely to be suitable for your clients we have also provided a target market statement that explains which segments of clients each of the products and services are designed for.

If you have any questions or comments about this document, I'd be delighted to hear from you. Alternatively, you can speak to your usual AJ Bell Investcentre contact.



Billy Mackay  
Managing Director

## Executive summary

This document covers the range of products and services we provide or distribute via AJ Bell Investcentre. It's designed to help you understand how and why we believe customers in our target market can achieve good value, and what this means for your clients.

The findings from the value assessment are:

- The range of typical outcomes for customers total cost of use in the product is well within the normal distribution for the industry.
- The average of AJ Bell charges is competitive in comparison to similar providers.
- There are no improvements needed to the value provided by the product.
- We identified some minor enhancements to the value provided by the products and services, which we have implemented – these are detailed on page 8.

This document will be updated on at least an annual basis as we monitor the value delivered by the product to ensure that we continue to deliver good customer outcomes.

## Value dashboard

The value dashboard gives you a summary of the findings from our value assessment.

We are pleased to say that we have not found any significant issues, but we identified some ways to enhance the value available to your clients.

The value of each product and service has been assessed independently, and we have also considered the overall value that customers can expect to achieve from the platform as a whole.

This assessment recognises that customers may only hold a single account type, but that it is normal for customers in the target market to hold multiple accounts, and access different services when using the platform.

Category	SIPP	RIA	ISA	GIA
Nature of the product and its benefits				
Quality of service and support				
Limitations in products and services				
Our costs and competitive position				
Total cost of ownership				
Mitigating foreseeable harm and potential customer vulnerability				
Overall value				

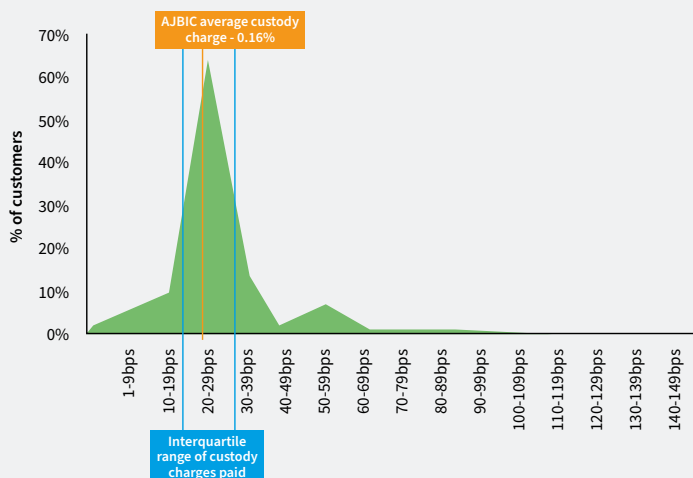
**Key**

-  Fair value can be fully evidenced
-  Minor enhancements available
-  Improvement required
-  Significant improvement required

## Charging dashboard

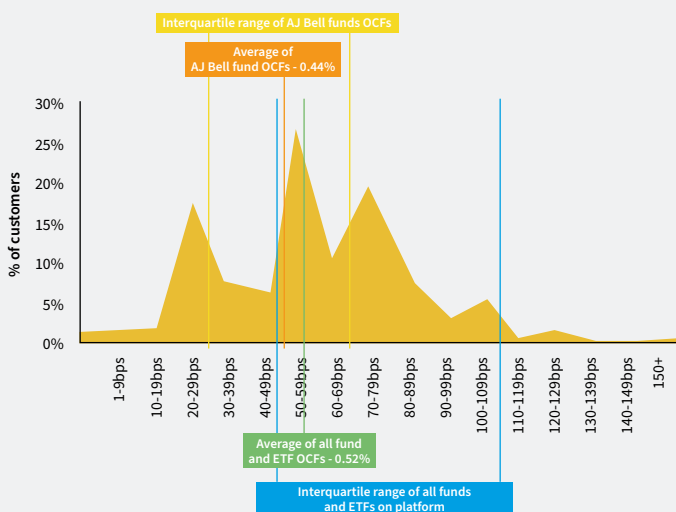
Charge category	AJ Bell Investcentre average charge
Platform custody charge	0.16%
All funds and ETFs on the platform	0.52%
Ongoing adviser charges	0.69%
Total cost of use	1.37%

# Our charges



## Platform fees

- Platform fees cover the cost of custody, which is a common core charge.
- The custody charge covers safe keeping of assets, which is a key product benefit.
- Our core charges are competitive in light of the product benefits, quality of service and interaction with total cost of use.



## Fund management

- Distributing funds and other investment products to customers is a key service that platforms provide.
- While third-party charges are not controlled by us, we consider them in light of their impact on the total cost of use.
- This chart shows the charges for the universe of fund holdings via the Funds & Shares Service and the AJ Bell funds.

## Methodology for assessing value in charges

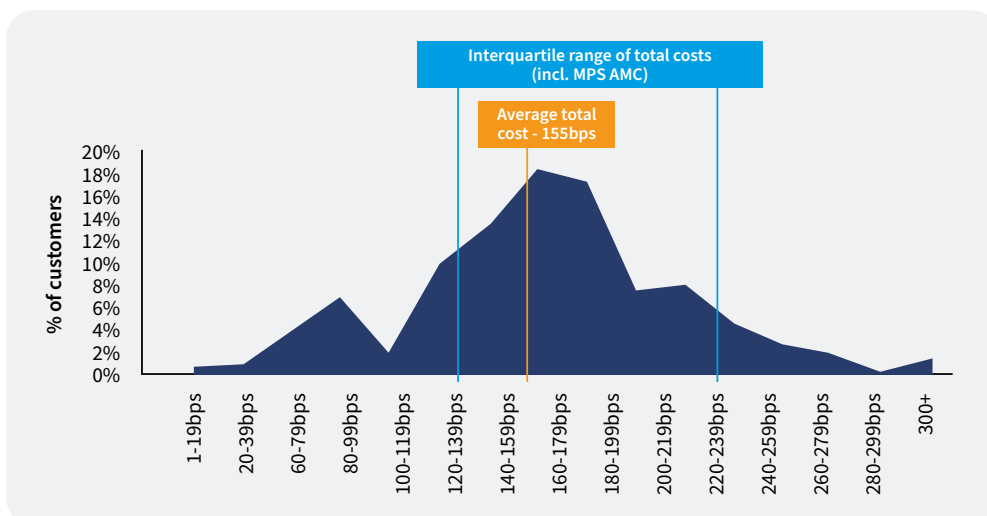
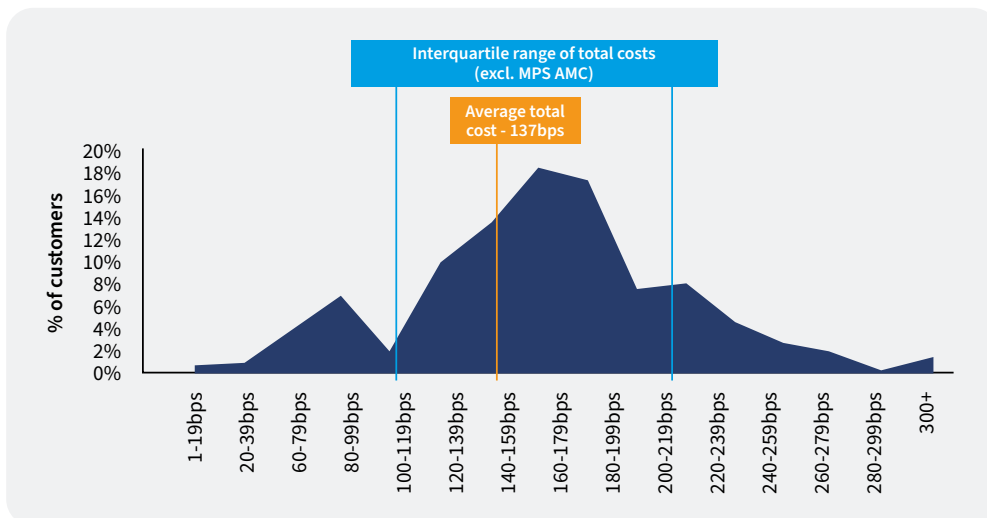
- When assessing the value and benefit of a product to customers, we consider each of the possible charges, and also the total cost of use. Data is analysed and benchmarked against similar providers in the market, looking at the actual charges paid by customers.
- To provide meaningful data and insight for advisers and their clients, we try to show typical outcomes by considering both the average charges applied and the typical range of charges.
- This approach may help you to understand how charges interact with the value customers can achieve.
- While not all customers will be paying all charges, we recognise the importance of understanding how different charges can layer up for customers – whether these are levied by AJ Bell or other parties.
- We have found that most customers will typically pay platform, advice and fund charges. Some customers may pay additional charges for investment management.
- Where changes are proposed to our charges, we consider how these may affect the value customers can achieve from the products and services across the lifetime of the relationship. This lifetime value analysis is used to measure the impact on customers and the proportionality of any changes that we make to our charges.
- We thank the team at NextWealth for their research on costs to the customer, which we have used for comparison purposes and as the basis for the charges charts in this document.

# Total cost of use

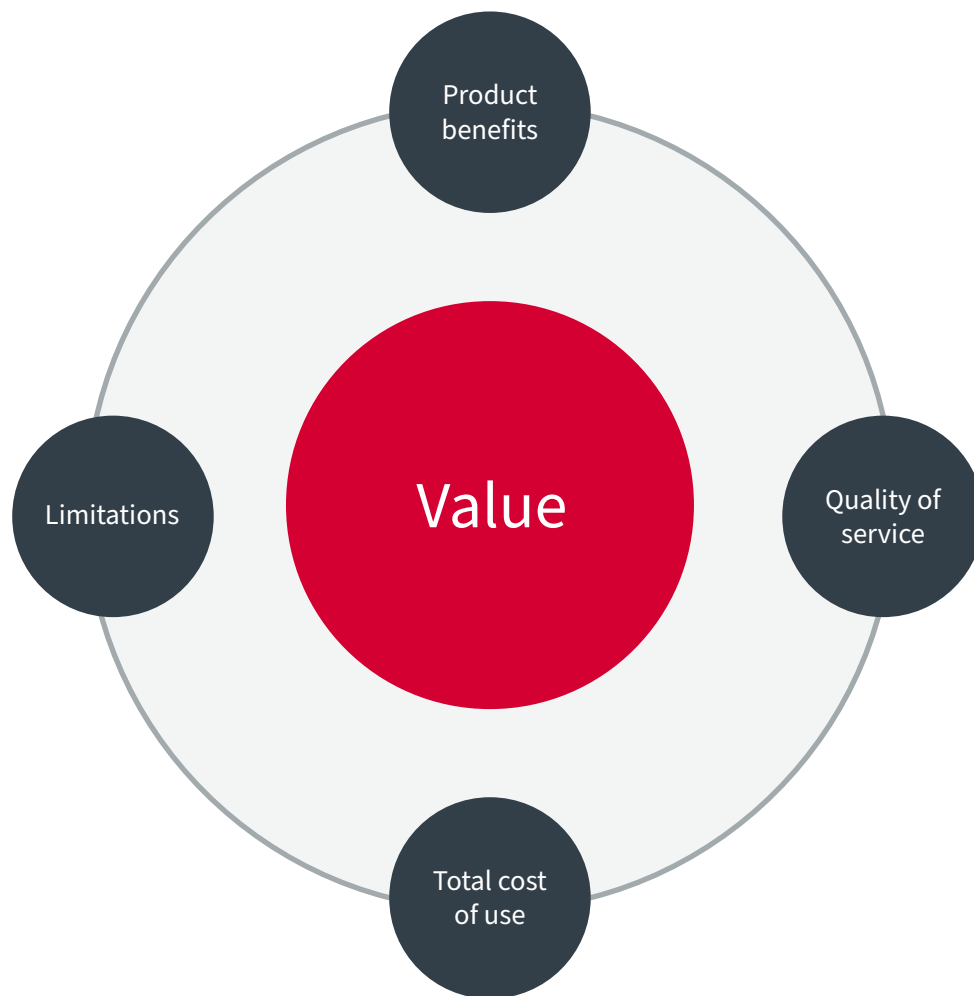
## Components for total cost of use

- In these charts we have overlaid the actual charges paid by customers, onto a view of the distribution of charges across the industry. The costs included by default are:
  - platform charges for custody;
  - adviser charges; and
  - fund management charges.
- These charges provide an aggregate view of the customer outcomes on AJ Bell Investcentre, but a lot depends on the nature of the products and services used – and on the third-party products selected.
- In light of the product benefits and the quality of service, we believe that this assessment shows customers pay proportionate charges.

As a result, they are likely to achieve good value from the total cost of use of the products and services.



## Our approach to assessing value



When assessing value, we have used the key criteria outlined by the FCA, and considered how these interact with the products and services we provide. We also thought about how customers should expect to achieve fair value in using the products and services.

We consider each of the elements later in this document, but our approach to assessing value accounts for:

- The nature and quality of the product or service, and the expected benefits to customers.
- Any limitations in the product and its features that don't arise from regulations or similar requirements.
- The expected total price paid by customers, and any non-financial costs over the life of the relationship between the customer and the firm.
- Any elements of vulnerability that may affect customers' ability to understand or achieve value from the product.

We have also considered some additional factors relating to the reasonableness of the product pricing, such as:

- Costs incurred in manufacture and distribution.
- Market rates, and the position of our products in comparison to them.
- Economies of scale – passing on savings where we can achieve them and ensuring that our pricing takes account of any areas where such economies have already been realised and maximised.

We also recognise that there are overlaps with other elements of the Consumer Duty, including the cross-cutting rules:

- Could any elements of the products and services lead to foreseeable harm?
- Have any changes in the product benefits been reflected in the price?
- Have any material changes to assumptions underpinning price actually been reflected in the price?

# Product benefits and limitations

## Product benefits

Here is a high-level summary of the benefits to customers. Please note that this list is not exhaustive:

- Access to products that can be managed and administered on their behalf by financial advisers and other third parties.
- Ability to utilise a range of tax-efficient wrappers, offering a choice of ways to invest their money, typically for the medium and long term.
- Transfer investments and cash from other providers and pay new money into their accounts on a one-off and regular basis.
- The custody and safekeeping of assets transferred or paid into the products.
- Build portfolios using a choice of investments and investment providers, and delegate the management of investments to appropriately qualified third parties.
- The ability to withdraw money and income flexibly, and transfer out to other providers without unnecessary barriers.
- Easy access to information about investments online and via mobile applications.
- Charges that are clearly explained and accurately applied to customers' accounts.
- Payment of interest on credit cash balances.

The main benefit to customers is that our product features allow them to:

- delegate the implementation of advice recommendations to their financial adviser;
- consolidate existing investments and accrue further investments;
- access a range of investments and investment providers that meet their needs and objectives;
- access their money easily and without unreasonable barriers or penalties; and
- easily access information about their investments.

## Limitations

Where we have applied limitations to the product, these are predominately to meet regulatory requirements or to keep customers and their assets safe, for example:

- Limits around the markets that can be accessed and how certain instruments are made available, e.g. those that require a sophisticated or professional investor assessment.
- Investments that are administratively prohibitive to support in the long term, e.g. direct investment in property via SIPPs.

The product also has a defined target market that limits its utility to customers with certain characteristics. This could include customers who want to hold cash for the medium or long term and customers with no appetite for risk or no ability to bear any capital loss.

If we see that a customer is being constrained by or is acting contrary to the limitations of the product, we will explain this to them and their adviser so they can make informed decisions.

# Measuring quality

## Quality measures

We define 'quality service' in relation to a combination of factors:

- Effective and compliant custody and safekeeping of customers' assets.
- Timely, accurate, and consistent access to information online.
- Reliable response times to other queries offline, e.g. telephone calls and emails.
- Prompt and accurate administration and processing of transactions.
- Quickly acting to rectify any errors and issues when they arise.

## Measuring service quality

Service quality is a key focus of the senior management team, and is closely measured and monitored.

- SLAs and operational KPIs are defined with a focus on good customer outcomes and the realisation of the product benefits.
- Regular SLA reporting is carried out.

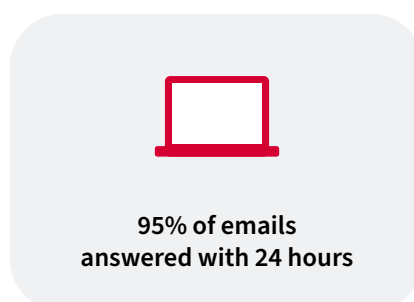
We capture qualitative data on service levels on a regular basis. This is done through:

- customer and adviser surveys and via our online feedback tools; and
- complaints monitoring and other customer feedback – staff have defined routines to raise any concerns about products and customer outcomes.

## Maintaining service quality

Through monitoring the quantitative and qualitative data, we identify measures to ensure that we maintain the service standards that customers expect across the range of products and services, which may include a range of actions, such as:

- improving service quality using automation and process improvement;
- properly resourcing the teams that provide service, technology and other support to customers and advisers; and
- ensuring that any fixed costs are appropriate in comparison to the resource required to deliver and maintain the associated service standards.



Source: Service levels measured in July 2023



# Onward monitoring and mitigating actions

## Onward monitoring

- Maintaining a competitive charging structure that provides value for money to customers is an important part of our product strategy.
- The completion of our value assessment has relied on a range of data from our systems and independent research.
- We have formalised the data used as part of our management information suite, and this will now be monitored on an ongoing basis.
- Product and senior management teams will use the management information to identify any material changes to the value achieved by customers, when considered in conjunction with any material changes to product benefits or the assumptions underlying the pricing strategy.
- This summary of the assessment will be updated on at least an annual basis. The frequency of other updates will be determined by the materiality of any changes identified.

## Mitigating actions

As noted in the value dashboard, we identified some minor enhancements that we can make to try and ensure customers achieve good value from the products and services.

These actions were agreed by our executive team and their implementation and effectiveness are monitored on an ongoing basis through our governance framework – this will also enable us to identify any further actions that may be needed.

### 1. **The target market of the SIPP and RIA**

The SIPP and RIA target markets do have some overlap, but their pricing structures are designed to benefit certain account values. We have implemented new communications which means that you will receive notifications from us if it appears a customer may be better off in the alternate product.

### 2. **Customers holding higher cash balances for longer periods**

We have identified that the product may not provide good value to customers who want to hold large amounts in cash for longer periods. We already communicate with advisers where we identify larger cash holdings. We have reviewed the parameters for, and frequency of, these communications to make sure they continue to support the delivery of good customer outcomes.

We will monitor the effectiveness of these actions and look for other ways to improve the value your clients can achieve from our products and services.