

Dormant, ‘orphaned’ & unclaimed assets

Taking away the pain of unclaimed assets · A ‘fire and forget’ research pilot

For many years, the investment management industry has silently and inadvertently built up a problem: firms hold clients’ assets that are dormant, orphaned or unclaimed. Both the Government and regulators are now increasingly aware of the problem. The Government, via the **Dormant Assets Commission**, is looking at legislative options to address the problem and appropriate dormant funds for charitable causes; the **Financial Conduct Authority** expects firms to resolve the problem for themselves. But no-one knows either the scope or the scale of the problem; estimates range from half-a-billion to tens-of-billions of pounds.

In response, we propose a detailed pilot tracing and research study to investigate both scope and scale of the problem. Backed by industry bodies – **The Investment Association** and the **Wealth Management Association** – and by major advisory firms – **EY** and **Eversheds**, we will gather a randomized sample of client records from each participating firm and, from these data and from interviews and using publicly-available data, estimate the scale of the problem. We will also investigate the legal and contractual, practical and operational and regulatory issues in returning tracing clients, returning money and assets and dealing with residual, unclaimed assets and transferring assets to charity.

<i>What participants give us</i>	A randomized sample of 15,000 client records collected via Assets Recovered
<i>What we will do</i>	Tracing provider Assets Recovered will (a) collect client records from firms using its secure, online portal, (b) trace all the clients they can, then (c) pass anonymised results to KBMstrategy for the industry-level research
<i>What each participating firm gets back</i>	Within 4 weeks, Assets Recovered will provide to each participating firm results of tracing its clients, including (i) details of new addresses or confirmation of (ii) living as stated, (iii) impossible to verify or (iv) not economically traceable, or (v) date of death
<i>The benefit to industry</i>	We prepare an industry-level report – which will not refer to individual firms – that will define the scope and scale of the industry’s problem and suggest solutions. This will allow industry bodies to respond knowledgeably to the Dormant Assets Commission and the regulator
<i>What it will cost firms</i>	Participating firms do not pay (except for preparing and extracting their sample of client records)
<i>Who meets the cost?</i>	Assets Recovered will prepare a joint approach with each participating firm to executors of the estates of deceased clients in their sample. AR offers to act as agents for the return of assets held by firms to estates for which they will charge an agency fee of 10% of realized value (plus VAT)

Assets Recovered, which is regulated by the Ministry of Justice under the Compensation Act 2006, will contract directly with participating firms. Assets Recovered uses leading-edge approaches to manage both data risk and cyber threats; data protection provisions will be at least equivalent to those available from data-source firms such as Experian or Equifax. No firm’s clients’ personal data will be shared with any party other. Data shared with KBMstrategy for research purposes will contain no personal identifiers. Based on previous exercises, we anticipate Assets Recovered will trace at least 90% of clients previously identified as ‘gone away’.

The **Financial Conduct Authority** has been briefed on the project, the method applied to the pilot study and the tracing and funding approaches. The FCA has offered a statement of support for the research, which you can view on our project website; see the URL below.

After the completion of the research pilot and research study, participating firms will have the information they need to determine how best to deal with their unclaimed assets problem. They will also have undertaken sufficiently diligent investigation to determine which assets they can transfer to charity under the FCA’s existing CASS rules.

In short, everybody wins from this research.

To find out more, visit kbmstrategy.com/unclaimed-asset-research