

Investor protection – A guide to how we keep your money and assets safe

The Financial Services Compensation Scheme (FSCS) is the UK compensation fund of last resort. This means that in the unlikely event of Nucleus Financial Services Ltd (Nucleus, we) or one of our product providers, being unable to meet its liabilities, the FSCS can pay compensation to its customers. This is usually because it has stopped trading or has been declared in default. Each claim presented to the FSCS is considered on its individual merits, including reference to the way the investment or product is held and the reason for a claim being presented.

Holding cash and assets on your behalf is a huge responsibility and we take that seriously.

Here's some information to explain how your cash and assets are protected in each of the products you may hold in your Nucleus wrap, and what protection you can access should anything go wrong.

The information provided should be considered a guide based on our current understanding of the rules of the FSCS at the time of print. This factsheet is not intended to be a definitive guide to how the FSCS operates, or how it applies in different situations and should not be relied upon by any individual to decide on a particular course of action when considering the suitability of a particular investment.

For further information, please go to the FSCS website: www.fscs.org.uk

General, General gross, Isa and Jisa products

Client money

Client money for these products is held by Nucleus in compliance with the Financial Conduct Authority's (FCA) CASS 6 rules.

All client money (or cash) in these products is held by us in client money trust accounts and is segregated from our own cash. We can't use any client money to pay our own expenses or to run our company.

We deposit your cash with Prudential Regulation Authority (PRA) authorised banks in pooled accounts. This means your cash is held in accounts with the cash of other Nucleus customers. Your individual share of a pool is recorded in our detailed custody records and reflects what is shown in your wrap account summary cash balance.

To ensure the continued suitability of banks used, we regularly carry out due diligence on these banks, monitor market conditions and the service delivered by the chosen banks. We may therefore change the banks used at any time based on adverse findings identified through our oversight and due diligence of the banks used.

We diversify client money across a panel of banks to reduce the risk to customers. Diversification reduces the impact on customers if a bank fails by spreading the risk across the banks used. Diversification also reduces the risk that cash may not be available should any of the banks have system issues.

The banks that hold the pooled accounts have signed letters (trust letters) to Nucleus agreeing that the accounts are client money accounts holding cash belonging to our customers, which ensures that if Nucleus were to become insolvent no creditors of ours would be given access to client money. The bank accounts are set up in the name of NFS Nominees limited. The nominee company is a non-trading company set up only to protect client money and assets. As a non-trading company, it ensures the client money and assets are segregated from Nucleus' own cash and assets, but also does not put the cash at risk from its own creditors.

Each business day we complete cash reconciliations to ensure that the total of all the individual accounts recorded in our custody records on the platform matches what we record as held at the banks, and then a bank reconciles our records to the bank statements received.

We report our client money balances to the FCA each month.

We have an external review of client money processes carried out annually, the report from this review is submitted to the FCA.

What would happen if Nucleus, NFS Nominees or one of the banks goes into liquidation?

If Nucleus were to become insolvent and appoint liquidators your cash should be safe and returned to you from the client money trust accounts.

If there was any shortfall in the cash returned to you it would be due either to liquidators' expenses, or from poor administration or fraud by Nucleus. In this case, if you're an eligible claimant, you'll be able to claim for any shortfall in cash returned to you up to £85,000 from FSCS. Generally, the insolvency practitioner will advise you of your rights and how to claim.

If any of the banks where Nucleus hold the client money fail, Nucleus is not required to fund any shortfall in the client money pool arising due to the bank's failure. Therefore, if the bank fails and you're an eligible claimant, you will be able to claim any shortfall in your cash up to £85,000 from FSCS.

Client assets

Your assets held within your Nucleus wrap can take many forms but the most common are shares in UK listed companies, investment trusts, units in funds and structured investment products. Whatever form the asset takes, we keep detailed records of your holdings in our custody records on the platform, and this is what is shown in your wrap account summary.

Client assets are held under the FCA CASS 6 rules.

In order to ensure the segregation of assets held on your behalf from Nucleus' own assets we ensure they are registered in the name of NFS Nominees Ltd, in particular where we have a direct relationship with fund managers, transfer agencies, or in the name of our approved third-party custodian's nominee.

Nominee companies are non-trading companies so they cannot run up liabilities of their own. Registering assets in the nominee names ensures the assets are not seen as belonging to Nucleus, and therefore our creditors cannot access any of your assets.

We maintain detailed custody records of all your investments and assets for which you will always remain the beneficial owner.

We perform a monthly reconciliation between our client records and the records of the fund managers or sub custodians to ensure records are correct. We also perform periodic checks of certificated stock where we hold these on your behalf.

We report our client asset balances to the FCA each month.

We have an external review of client money and asset processes carried out annually, the report from this review is submitted to the FCA.

We can't use any client assets for our own purposes, we do not short sell and do not do stock lending.

What would happen if Nucleus, NFS Nominees, our sub-custodian or a fund manager goes into liquidation?

If Nucleus were to become insolvent and appoint liquidators your assets should be safe as they are not registered in Nucleus' name. They will generally be passed to another custodian with your approval.

If there was any shortfall in the assets returned to you, due to liquidators' expenses, or from poor administration or fraud by Nucleus, and if you're an eligible claimant, you'll be able to claim for any shortfall up to £85,000 from FSCS. Generally, the insolvency practitioner will advise you of your rights and how to claim.

If any of the sub-custodians used by Nucleus fail, Nucleus are responsible for the actions of these outsourced activities and must recompense you for any losses. If Nucleus are unable to fund this shortfall, they will generally become insolvent and you will be able to claim the shortfall from the FSCS up to the value of £85,000.

If the fund managers fail, your assets should be protected by the fund depository which acts in a similar way to a custodian. Nucleus is not required to fund any shortfall arising due to the fund manager's failure, but depending on the circumstances, if you are an eligible claimant you will be able to claim any shortfall in your assets up to £85,000 from FSCS.

What will happen if the asset falls in value or you were badly advised?

Investing involves risk, if the value of a fund or other asset falls due to market conditions you have no access to any compensation from Nucleus or the FSCS.

If however a fund fails, and there was some irregularity in the fund that caused it to close, or fail, for example the fund was invested outside of the mandate and risk profile, there may be access to compensation for your loss from FSCS.

Nucleus do not provide advice, therefore any complaints about wrong advice must go through your adviser. However, if it is proved you were misadvised, and your adviser is unable to recompense you for your loss, you may be able to claim from the FSCS.

Sipp product

The Nucleus Sipp is a pension product therefore is not covered by the CASS rules. The cash and assets within the SIPP are protected under trust law.

The cash and assets in your SIPP are registered in the name of Nucleus Trustee Company Limited to ensure they are separate from Nucleus' own assets.

We deposit your cash with PRA authorised banks in pooled accounts. This means your cash is held in accounts with the cash of other Nucleus SIPP customers. Your individual share of a pool is recorded in our detailed custody records and reflects what is shown in your wrap account summary cash balance.

To ensure the continued suitability of banks used, we regularly carry out due diligence on the banks, monitor market conditions and the service delivered by the chosen banks. We may therefore change the banks used at any time based on adverse findings identified through our oversight and due diligence of the banks used.

We diversify client money across a panel of banks to reduce the risk to customers. Diversification reduces the impact on customers if a bank fails by spreading the risk across the banks used. Diversification also reduces the risk that cash may not be available should any of the banks have system issues.

The banks that hold the pooled accounts hold the accounts in the name of Nucleus trustees therefore Nucleus creditors cannot have access to the cash. The trustee company is a dormant company and therefore cannot run up any debt or become insolvent. The trustee company is set up only to protect the SIPP client money and assets. As a dormant company, it ensures the client money and assets are segregated from Nucleus' own cash and assets.

Each business day we complete cash reconciliations to ensure that the total of all the individual accounts recorded in our custody records on the platform matches what we record as held at the banks, and then a bank reconciliation reconciling our records to the bank statements received.

We can't use any SIPP cash or assets to pay our own expenses or to run our company.

Will there be any impact on new monies being accepted and deposited, including cheques being cashed?

If Nucleus were to become insolvent and appoint liquidators your cash and assets should be safe and returned to you from the trust accounts. They will generally be passed to another pension provider.

If there was any shortfall in the cash or assets returned to you, due either to liquidators' expenses, or from poor administration or fraud by Nucleus, if you are an eligible claimant, you will be able to claim for any shortfall up to £85,000 from FSCS. Generally, the insolvency practitioner will advise you of your rights and how to claim.

The trustee company cannot become insolvent, it is a dormant company.

If any of the banks where Nucleus hold the SIPP cash fail, Nucleus is not required to fund any shortfall arising due to the bank's failure. Therefore, if the bank fails and you are an eligible claimant you will be able to claim any shortfall in your cash up to £85,000 from FSCS.

If the fund manager fails, your assets should be protected by the fund depository which acts in a similar way to a custodian. Nucleus is not required to fund any shortfall arising due to the fund manager's failure, but depending on the circumstances, if you are an eligible claimant you will be able to claim any shortfall in your assets up to £85,000 from FSCS.

What will happen if the asset falls in value, the Sipp is badly managed or you were badly advised?

Investing involves risk, if the value of a fund or other asset falls due to market conditions you have no access to any compensation from Nucleus or the FSCS.

If however there was some irregularity in the way the Sipp was managed that caused it to close, or fail, for example the Sipp allowed investment in unregulated assets, there may be access to compensation for your loss from FSCS if Nucleus failed to compensate you.

Nucleus do not provide advice, therefore any complaints about wrong advice must go through your adviser. However, if it's proved you were misadvised, and your adviser is unable to recompense you for your loss, you may be able to claim from the FSCS.

Nucleus App

The Nucleus APP is a pension product therefore is not covered by the CASS rules. The cash and assets within the APP are protected under trust law.

The Nucleus APP is no longer open to new investors. However, it is provided by Scottish Friendly, which is an insurance company, therefore your investment in this product is protected up to 100% of the claim with no upper limit.

Please contact us for the most up-to-date investor protection information if required.

Offshore bond

Although you and your adviser select what is held within your bond, you actually hold the bond as a product, and therefore any protection arises as holder of the bond.

The offshore bond is not protected under CASS regulations.

Owners of the offshore bonds own policies issued by RL360 in the Isle of Man, therefore do not have access to FSCS, instead have protection from the Isle of Man Compensation of Policyholders protection scheme, which covers an amount equal to 90% (subject to the provisions of the scheme) of the life office's liability where they're unable to meet their financial obligations.

Unlike many protection schemes, this applies to all policyholders regardless of where they reside.

Please contact us for the most up-to-date investor protection information if required.

Onshore bond

Although you and your adviser select what is held within your bond, you actually hold the bond as a product, and therefore any protection arises as holder of the bond.

The onshore bond is not protected under CASS regulations.

For long-term insurance contracts, the FSCS currently provides cover for 100% of the claim, with no upper limit. This applies to the onshore bonds provided by CASLP Ltd ('CASLP') and Scottish Friendly.

In the unlikely event that a default by a bank occurs and a shortfall arises, your claim in relation to money held will be limited to a share of the money held in the designated client money account with the bank.

When investing in the onshore bond and CASLP or Scottish Friendly is deemed to be in default, the investment is protected by the FSCS and currently provides cover for 100% of the claim.

Money which is invested the bond is kept separate from that belonging to the actual company. CASLP and Scottish Friendly may appoint a depository, custodian or similar organisation, the purpose of which is to help ring-fence invested money from their own funds. If the company goes into default, the custodian in this instance would return any monies. The only likely reason for any shortfall would be because of fraud or mismanagement.

Investments held in regulated OEICs or unit trusts within your bond should be held by a custodian (i.e. ring-fenced) as these would not be assets of the operator of the investment fund and therefore would be protected from creditors.

Please contact us for the most up-to-date investor protection information if required.

Internal governance – all products

The protection of client money and assets is at the forefront of all we do at Nucleus. We have a dedicated team in place whose sole responsibility is to ensure that all assets and money are accounted for and that we adhere to the FCA's principle 10 – "A firm must arrange adequate protection for clients' assets when it is responsible for them". We believe that ensuring robust and effective controls and processes that impact client cash or assets is extremely important

FSCS

Further information about compensation can be found on the FSCS website at: www.fscs.org.uk

Security of client assets and payment of administrator fees

We are required by the FCA to hold our own funds (or capital), so that we can meet the costs of an administration if we were required to stop trading and wind our business down. If the administrator can't recover their fees, in full, from our own funds, then they may be legally allowed to make charges against client assets to cover the difference, but only where the costs relate to returning those assets to clients.

In this case investors will be able to claim under the FSCS. At Nucleus, we maintain accurate books and records and have detailed operational plans to support any wind-down, both of which would limit the costs an administrator would have to incur in returning client assets to their rightful owner.

Looking after your money

We hold your cash with a panel of banks to reduce the risk to you. In the unlikely event that a bank fails, this diversification reduces any potential impact by spreading the risk across the banks used. Diversification also reduces the risk that cash may not be available should any of the banks have system issues.

The cash you hold with us is protected under the FSCS. Under FSCS rules, you could be entitled to compensation of up to £85,000 per banking licence, so by spreading your money across many different banks, you could be covered for a higher sum than if we held all your cash with a single bank.

This depends on how much cash you hold and how much of it is with each bank, and includes anything you hold directly with them, as the limits are applied per person. Also, we don't spread platform cash equally across the banks we use and the amounts change regularly.

We only ever work with banks who have the appropriate authorisations from the UK regulators and are covered by FSCS.