

THE INVESTMENT ASSOCIATION

MEMBER GUIDANCE

Principles for tracing gone away customers

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BACKGROUND

The Dormant Bank and Building Society Accounts Act (the Act) was passed in 2008 to address the challenges and opportunities that dormancy presented to the banking sector.

A decade after implementation the dormant assets scheme has proven to be very successful. Most major UK high street banks and building societies are participating and more than £1bn from dormant accounts has been identified and transferred to the Reclaim Fund Ltd (RFL). The providers in this sector went through an attempted reunification exercise and concluded on a holistic process in order to complete a balance sheet transfer into RFL.

The Government undertook a post-implementation review in 2014, which found that the scheme was working well and subsequently they established an Independent Commission on Dormant Assets in 2016. The remit was to provide a view on widening dormant assets within the scheme covering 3 additional sectors; securities, insurance and pensions, and investment and wealth management.

The Commission in Dormant Assets published their findings in March 2017 and subsequently the Government responded to these in February 2018. The first clear principle contained within the Government's response was that the immediate priority of firms should be to attempt to trace and reunite customers with their assets/cash. Assets and/or cash should only be transferred into the scheme after appropriate reunification efforts have been made.

PURPOSE OF THE PRINCIPLES

The IA made a commitment to the Commission on Dormant Assets to encourage its members to undertake regular checks of gone-away clients, and create and implement processes to address this on an ongoing basis. The purpose of this IA document is to set out some key principles to aid members in meeting the Government's primary target and The IA's commitment. These principles can be used to improve the process for tracing gone away clients in order to complete client reunification across the asset management industry.



GUIDING BEST PRACTICE PRINCIPLES

1. Definition of gone away

A customer account can be considered 'gone away' when the firm has lost faith in the contact details they hold for a customer and they have been unsuccessful in authenticating the customer's current contact details.

Although not exhaustive this can include information dispatched via post, email, telephone or social media. Authorised Fund Managers (AFMs) or their delegates should consider their business structure and operating models as part of this i.e. a digital online only service may differ to a multi-channel offering.

An AFM should have a method and mechanism within the register to record when a customer is flagged as being 'gone away' and the date that flag was added and then subsequently removed.

An AFM should consider suppressing all external communications where that flag is present.

For regular savers, considered as 'gone away', payments received can be invested as normal. Also, where 'gone away' customers have mandates in place for income to be paid to a bank account, the income can continue to be paid into the account.

AFMs should consider steps to prevent income distributions becoming continuously unclaimed and reverting directly to the fund after 6 years, for example; changing income units to accumulation units or reinvesting distributions after say 3 unclaimed income distributions. This may need prospectus changes to facilitate. More guidance on this can be found in the TA Forum's [Best Practice Statement on Descoping Cheques](#).

2. Pro-active identification and communication

An AFM should consider pro-actively reviewing their customer base (potentially before a significant trigger event or where the client hasn't initiated contact for a period of time).

This could include using an outside service, such as a tracing agent or Royal Mail, to screen customers and pro-actively identify changes of address. The AFM would then have to consider what action they would take post that search.

An AFM may consider prioritising the groups of clients they pro-actively attempt to identify – although not exhaustive, items that could be considered are age, AUM, trigger events (i.e. age 16/18 JISA), vulnerability and length of time since last contact.

Equally the opportunity should be taken when in contact (via different communication channels) with a customer to regularly pro-actively check contact details are correct i.e. email, telephone number and address.

Firms should take extra care in respect of joint accounts where correspondence is not typically sent to each holder at their registered address, which increases the risk of joint holder addresses having been less well-maintained than primary holder addresses over the course of the account.

AFMs should consider the use of clear and transparent messaging explaining that customers need to ensure that all their contact details are kept up to date. This communication could be included in documents such as prospectus, Terms & Conditions, application forms, statements/regular communications and incorporate into digital customer journeys where relevant.



Appendix 1 provides some example wording that AFMs could consider using in their communication with clients.

3. Data quality validation on new potential gone away customers

AFMs should consider how to reduce the ongoing number of clients who fall into the definition of a 'gone away' by verifying existing details or gaining revised contact information.

Where one item of returned mail is received via the postal channel that correspondence should be investigated to understand the return reason. The address could be checked to ensure the correct mail address was used originally (this could include using the postcode address finder available via the Royal Mail).

In addition AFMs could use other contact information they may have to gain clarification on that customer i.e. a telephone number or email where post has been returned and a postal address or telephone number where email has bounced back. This should be considered alongside security implications for the customer. For example; if an email is being sent asking a client get in a touch to verify their contact details the AFM may consider directing the customer to the firm's website rather than providing a link.

The AFM should consider checking if the customer has any other accounts/investments within the firm/group and consider checking updated details where possible.

Where verification has been unsuccessful the 'gone away' flag should be added against the customer in a timely manner.

4. Tracing existing gone away customers in an AFM's client base

AFMs should review all contact details they have available for a customer to attempt to re-engage them i.e. use a telephone number or email to contact the customer and clarify if an address change has taken place. If the AFM has details of the customer's advisor they may request contact details from them or if they know the customer's current bank they may ask them to forward a letter to the client.

AFMs should consider initiating a tracing agency to reunite their client with their assets/cash. This could include undertaking a 'gone-away' trace for a customer and/or next of kin/ executors if the customer is believed to be deceased.

Due to the cost of this service, providers may consider having a de-minimis limit of, for example, £25 although this can be defined at different triggers by each AFM. The de-minimis limit should be a total of a client's holdings include historical client money balances, unclaimed distributions in addition to holdings in units/shares.

In addition AFMs could consider using credit reference agencies, the Electoral Roll, Royal Mail services, Department of Work and Pensions (particularly useful for tracing clients that have moved from the UK to overseas). For clients domiciled overseas, it may be appropriate to use a tracing agency based in the relevant jurisdiction.

Appendix 2 provides contact details for the Royal Mail and the Department of Work and Pensions

An AFM should consider prioritising the groups of clients they pro-actively attempt to identify using similar categories as stated in principle 2 above.



5. Verification post a successful trace

An AFM should have a documented procedure to verify a customer once a potential trace has been made.

This process will largely be dependent on the investor risk rating and the risk appetite of the AFM, considerations are below:

- Update the register directly without further verification;
- Write to the customer requesting confirmation in writing of the new contact details;
- Write to the customer requesting evidence – potentially including certification of the documentation;
- Use further electronic verification to assist;
- Telephone based options to complete verification.

Any communications should include, if appropriate, any historical name changes the AFM or the funds have been through to potentially increase response rates.

In addition the AFM should consider their own Money Laundering and CDD requirements. An AFM should consider the risk when indicating in the communication the value of the client's holding before the client has been verified.

Appendix 3 details an example letter that could be sent to a customer requesting they verify the contact details found during a tracing exercise.

6. Post re-engagement communications

Once a successful trace and verification of that trace has been confirmed the AFM should consider what documentation should be re-issued to the customer and ensure the account is updated accordingly within a timely manner.

AFMs could consider sending the latest customer account statement and Terms and Conditions and also direct the client to the most up to date Prospectus document on their website. The re-engagement letter could be used to remind the client about the importance of keeping their personal details updated as per Appendix 1.

7. Recycling the tracing process

Post Principles 3 & 4 being completed and an unsuccessful tracing return being produced the AFM should consider the point in time another trace should be undertaken against gone away customers. AFMs may wish to run this within an annual process and should consider the number of traces against the AUM of the account in question.

8. Reporting & governance

AFMs should consider naming an individual responsible for managing the 'gone away' process and governing the steps detailed below.

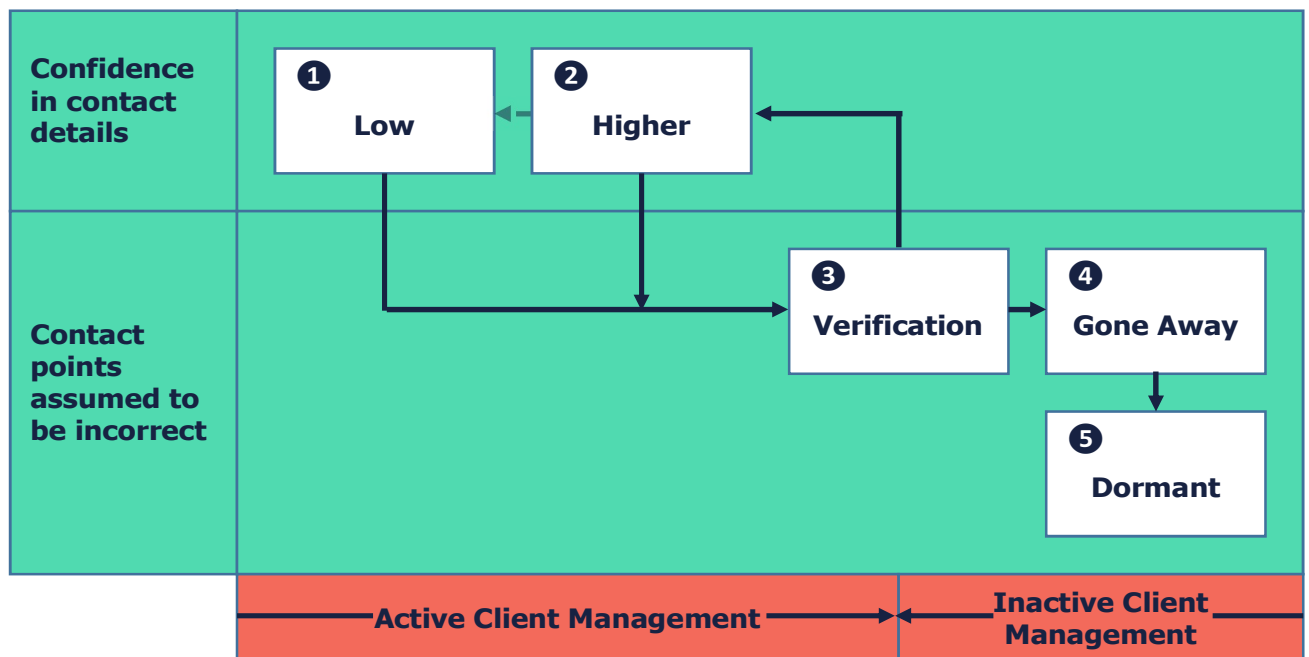
AFMs should have relevant governance around the 'gone away' re-engagement process including providing visibility via management information to senior management and relevant legal entity boards. This should include senior management being aware of the position regarding the 'gone away' population. AFMs should set their own internal targets around the successful levels and rates of customers they manage to re-engage with.



It is important that AFMs keep good records detailing the tracing process to ensure a good audit is kept of the actions taken to reunite clients with their assets.

AFMs should review annually their end to end process to ensure it reflects market developments and good industry practice. Industry bodies and their members should be willing to share good practices to ensure adoption of the most successful methods.

An AFM should have a documented process detailing roles and responsibilities which covers the full end to end lifecycle of a 'gone away' scenario. Following is an example relating to a client's address but this could be used for any client contact details. Please note that this diagram does not consider all possible scenarios.





Step	Guidance
1 Low confidence in contact details	<p>This category is for clients that do not achieve the criteria for a high level of confidence (Step 2) but the AFM has equally <i>not</i> received any Negative Address Indicator indicating they may not be at the address the provider holds on record for the customer. This might include;</p> <ul style="list-style-type: none">• Postal communication returned "return to sender"• Uncashed cheques
2 Higher confidence in contact details	<p>An AFM has a high level of confidence in the accuracy of the client address held on their records from the receipt of a positive address indicator. This might include;</p> <ul style="list-style-type: none">• The address has recently been verified by the customer• A cheque was sent to the customer and presented• Electronic address verification <p>This step links into Principle 2.</p>
3 Verification	<p>AFM has lost faith in the postal address and needs to verify the address to update the record or gain clarification that it is still correct.</p> <p>This verification step links into principles 3, 4 and 5. Documentation can then be suppressed from being sent to the client at this point.</p> <p>If the address cannot be verified then Principle 7 should be taken into consideration.</p>
4 Gone Away	<p>This is where the AFM no longer has confidence in the address they hold for the customer and is no longer actively trying to verify the current postal address</p>
5 Dormant	<p><i>Definition of dormancy to be added in early 2019 once work has been completed on this by The IA Dormant Assets Technical Group and the Government supported Investment and Wealth Management Dormant Assets Working Group.</i></p>



APPENDIX 1

The importance of keeping your contact details updated

You must ensure that you provide us with any changes to your personal details (including postal/email address, telephone numbers or any other personal contact details) so we can keep in contact with you.

If you do not keep us informed of any changes and we are unable to contact you, we may not be able to carry out your instructions, manage your account and it could mean you ultimately lose contact with your money.

APPENDIX 2

- Royal Mail data quality service
(<https://www.royalmail.com/corporate/marketing-data/data-services/data-quality>)
- DWP bulk letter forwarding service
(<https://www.gov.uk/government/publications/pensions-and-insurance-tracing-and-letter-forwarding-service/bulk-letter-forwarding-service-detailed-guidance>)



APPENDIX 3

Dear Personalised,

In the past we have received returned mail from the Post Office for the address that we hold on file for you. We/A tracing service has identified that you may now be residing at the address above. Please note that historically the account may have been held with ABC Asset Management, DEF Asset Management or GHI managers. Further information can be found at www.xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx.co.uk

If you believe this is correct then please refer to the 'What you need to do' section of this letter.

If you are not the person above please ignore this letter and accept our apologies for contacting you.

WHAT YOU NEED TO DO

To enable us to update your address records

- please complete the Change of Address Form
- (where relevant) complete the Money Laundering/Identity Verification Document slip and obtain relevant identity verification documents
- return these to us in the pre-paid envelope provided.

IDENTITY VERIFICATION DOCUMENTS (optional per provider's internal process)

As an additional security measure to protect you from fraud we need to verify your new address and your identity. For evidence of personal identity and residential address, please refer to the enclosed documentation guidelines for our lists of acceptable documents and return these to us with your completed forms in the pre-paid envelope provided.

A restriction is registered on the account as a security measure. This will be removed upon receipt of the requested information. In the case of joint accounts, where this information is required from other holders we will contact each one separately; the above restrictions will apply until requested documents have been received for all account holders.

If you have any questions please call us on 0207 123456 with your account details to hand. Our telephone lines are open XXXX to XXXX, 9am to 5.00pm.

Yours faithfully

For and on behalf of <<provider name>>