



12 June 2009

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Dear Debbie Samosa

### **Office of Fair Trading: Financial Services Strategy**

Thank you for the opportunity to attend your consultation meeting on 1 June and to respond to this consultation document.

UKSIF, the sustainable investment and finance association, promotes responsible investment and other forms of finance that support sustainable economic development, enhance quality of life and safeguard the environment. We also seek to ensure that individual and institutional investors can reflect their values in their investments. Our overall strategic objective is to ensure that the UK finance sector is the world leader in advancing sustainable development through financial services.

UKSIF was created in 1991 to bring together the different strands of sustainable and responsible finance nationally and to act as a focus and a voice for the industry. UKSIF's 200+ members and affiliates include pension funds, institutional and retail fund managers, investment banks, financial advisers, research providers, consultants, trade unions, banks, building societies and non-governmental organisations. For more information about UKSIF, please visit [www.uksif.org](http://www.uksif.org).

#### **Question 1**

Our comments focus on the medium and long term impact of financial services. We therefore have no specific comments to make on the proposed "fairness and responsibility" priority as this aims to address immediate issues in the credit industry.

We support the proposed "advocate of choice and competition" priority. We believe that this priority should address the financial services sector as a whole and not be restricted to the credit industry.

#### **Questions 2-4**

We have no specific comments to make in response to these questions.

#### **Question 5**

Innovation in financial services is needed to support sustainable development.

Tomorrow's successful and sustainable financial services are likely to come both from existing finance sector incumbents and from new entrants. Sector boundaries may shift, eg. between health services and financial services and between utilities and financial services. New entrants to financial services may come from both the third sector and the wider private sector. "The Future of Finance: Megatrends beyond the Crisis", a recent book co-authored by futurist Adjiedj Bakas, highlighted companies such as Google and Apple as potential new entrants. Financial regulation should not create inappropriate barriers to such developments.

In particular, we are concerned that regulatory barriers should not prevent the creation and successful development of small and innovative social enterprises to address financial services needs. This includes

but is not restricted to community development finance institutions and others seeking to meet the needs of those who are financially excluded.

Earlier this month, Triodos Bank was awarded "Sustainable Bank of the Year 2009" in the FT's international Sustainable Banking Awards. Triodos Bank was founded in 1980 and entered the UK in 1995, merging with Mercury Provident, a tiny UK industrial and provident society founded in 1974.

We hope that the OFT will act as a strong advocate to ensure that well-intentioned financial reform does not inadvertently prevent the growth of existing social finance organisations or the emergence of the 21<sup>st</sup> Century's equivalents to Mercury Provident.

#### **Question 6**

Lord Myners has highlighted the need for institutional investors to act as responsible owners, encouraging good corporate governance and otherwise protecting asset value.<sup>1</sup>

The Institutional Shareholders Committee has supported collective dialogue with companies on governance matters. They have highlighted "It is important that there are no regulatory impediments, real or imagined, to the development of collective dialogue. Uncertainty about the rules on acting in concert can be a deterrent to such initiatives. The authorities should make it clear that collective dialogue is permitted. Also, the authorities should make it clear that it is possible for individuals to receive price sensitive information in the course of dialogue provided there is appropriate ring-fencing."<sup>2</sup>

We support these views, and believe that the OFT should similarly indicate their support for them.

#### **Question 7**

We have no additional comments to make.

With best wishes

A handwritten signature in black ink that reads "Penny Shepherd". The signature is written in a cursive style with a horizontal line under the name "Penny".

#### **Penny Shepherd MBE**

Chief Executive

UKSIF – the sustainable investment and finance association

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<sup>1</sup> For example, 19 May 2009 speech to the IMA annual dinner at [www.hm-treasury.gov.uk/speech\\_fsst\\_190509.htm](http://www.hm-treasury.gov.uk/speech_fsst_190509.htm).

<sup>2</sup> In the paper "Improving Institution Investors' Role in Governance" (5 June 2009) available at [www.abi.org.uk/Document\\_Vault/ISC\\_Governance\\_Paper.pdf](http://www.abi.org.uk/Document_Vault/ISC_Governance_Paper.pdf).