
Press information

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Advisers must introduce a culture of challenge for platform due diligence, urges Nucleus

Advisers should introduce a culture of challenge for platform due diligence, as going through the motions will not cut it says Nucleus.

Following hot on the heels of the Financial Conduct Authority's (FCA) thematic review on due diligence, Nucleus has launched an updated version of its white paper on questions advisers should ask platforms today.

Nucleus believes it is a new dawn for due diligence, with the thematic review only the beginning; the regulator has already announced it will issue further guidance on the matter and MiFID II will bring investment selection and product choice sharply into focus.

Although in its review the FCA acknowledged some good practice amongst advice firms, it also found some firms were no longer reviewing platform options available for clients because firms were happy with the service they receive from existing platforms.

This bias has led to the retrofitting of due diligence measures to justify the outcome the firm had previously decided upon, and Nucleus has urged advisers to actively challenge their existing platform provider to dynamically justify their selection.

According to Nucleus, advisers should dig deeper into a platform's culture and technology to make sure they are using the best platform for their clients.

Barry Neilson, business development director at Nucleus, said: 'Much of what has previously passed for due diligence and research is actually the output of the sales and marketing machines of providers. Advisers should be able to get underneath the marketing spin and obtain evidence they are happy with.'

'Given the importance that technology has for the smooth running of advisory firms it is important to know how developments are prioritised, or if platforms are going to carry out any major re-platforming work.'

'Many platforms are operating on systems that are no longer scalable, and as a result are running a number of legacy systems alongside the core platform. If advisers are not aware of planned developments they risk disruption to their own businesses while the platforms they work with struggle to keep pace with change.'

'With all the developments taking place in the sector, this is a new dawn for due diligence and advisers should think about factors they may not have considered before, not least about the cultural fit with a platform. Can a platform articulate its culture and show it is in line with an advisory firm's and allow it to continue delivering great client outcomes?'

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About Nucleus

Nucleus is a wrap platform founded in 2006 by advisers committed to altering the balance of power in the industry by putting the client centre stage.

Since then, Nucleus has established itself as a major force for change. It is now one of the UK's fastest growing platforms and the meeting point for more than 400 adviser firms seeking to create better customer outcomes.

As at 31 December 2016, assets under administration on the platform were £8.9bn.

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