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Ms Ros Eales
Business Angel-led Enterprise Capital
Funds – Consultation Responses
Enterprise Team, (4/N2)
H M Treasury
1 Horse Guards Road
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13 October 2004

Our ref: WGC/resp

Dear Ms Eales

Consultation Paper: Business Angel-led Enterprise Capital Funds

Introduction

The Consumer Panel has reservations about HM Treasury's approach, which assumes that earlier proposals to allow self-certification by high net worth/sophisticated investors will go ahead. As the Panel said in its response to the earlier paper, we have serious concerns about the use of self-certification in these circumstances. The Panel is not convinced that the current paper sets out sufficient safeguards for consumers and as presently drafted, we do not support the proposals.

High Net Worth/Sophisticated Investors

High net worth and sophisticated investors who choose to invest in unlisted companies and without the benefit of regulated advice run the risk of losing their money without the possibility of recourse to the Financial Ombudsman Service/Financial Services Compensation Scheme. The Panel recognises that there will be investors who are competent to take these important decisions and to deal with the consequences if something goes wrong. However, there are others who will not be in this position and the Panel believes that there should be adequate safeguards built in to protect these consumers from unscrupulous firms and individuals. Self-certification as a high net worth or sophisticated investor would, in effect, mean abandoning certification and the protection it affords altogether as the "reasonable belief" criterion is unlikely to be effective in safeguarding consumers.

Unregulated Advice

The prospect of regulated advisers dispensing unregulated products to people who would not necessarily appreciate the difference between investing in a regulated

product and one which was not regulated serves to heighten the Panel's concerns. However, if HMT is still minded to proceed, we strongly recommend the introduction of prescribed warnings to alert consumers to the risks of investing in Business Angel-Led Enterprise Capital Funds at all stages of the pre-sales process. We also believe that a mandatory cooling-off period should be imposed.

Yours sincerely

A handwritten signature in black ink that reads "Ann Foster". The signature is written in a cursive style with a horizontal line underneath the name.

Chairman

FS Consumer Panel