

SMITH & PINCHING FINANCIAL SERVICES LTD

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CLIENT AGREEMENT

WHAT SERVICES DO WE OFFER?

Smith & Pinching Financial Services Ltd is permitted to advise on and arrange (bring about) deals in investments in authorised collective investment schemes, unit trusts, ISAs, non-investment insurance, pensions, mortgages, equity release, lifetime mortgages and home reversions (this list is not exhaustive). For the purposes of the Client Agreement, these will be referred to as 'products'.

SMITH & PINCHING FINANCIAL SERVICES LTD DOES NOT HANDLE CLIENTS' MONEY. WE NEVER ACCEPT A CHEQUE MADE PAYABLE TO US OR HANDLE CASH, UNLESS IT IS PAYMENT IN SETTLEMENT OF CHARGES OR DISBURSEMENTS FOR WHICH WE HAVE SENT YOU AN INVOICE.

We offer products from the whole market for investments, pensions, mortgages, equity release, lifetime mortgages and home reversions.

We offer products from the whole market for term assurance, critical illness cover, income protection, long term care and private medical care.

We offer products from the whole market for accident, sickness and unemployment cover and buildings and contents cover.

We will advise you and make a recommendation to you after we have assessed your needs and objectives.

Under normal circumstances, we will confirm to you in writing the basis or our reason for recommending the transaction executed on your behalf.

We will make arrangements for all your products to be registered in your name unless you first instruct us otherwise in writing. We will forward to you all documents showing ownership of your products as soon as practicable after we receive them; where a number of documents relating to a series of transactions is involved, we will normally hold each document until the series is complete and then forward them to you.

ONCE AN INVESTMENT HAS BEEN ESTABLISHED OR TRANSFERRED INTO OUR AGENCY, WE WILL REQUIRE A WRITTEN INSTRUCTION FROM YOU TO BUY AND SELL SHARES AND/OR UNITS ON YOUR BEHALF. THIS CAN BE EITHER A LETTER OR A FAX, BUT IT MUST BEAR A SIGNATURE AND A DATE. UNDER NORMAL CIRCUMSTANCES, WE WILL ACTION SUCH AN INSTRUCTION WITHIN 24 HOURS OF RECEIPT.

In providing our services to you, we will categorise you as a 'retail client' for investment business and a 'consumer' for non-investment business. These client categories afford you the full protection of the regulatory system. Should you wish to be classified differently, you should discuss this with your financial adviser. Your financial adviser will inform you if your circumstances indicate that you should be classified differently. We reserve the right to arrange such a re-categorisation on a case-by-case basis and where we agree to do so it does not necessarily mean that you will have a right of access to the Financial Ombudsman Service.

We are not obliged to keep your products under review, unless we have agreed to do so with you. We can put a formal review agreement in place, in which we will confirm the terms under which we will review your products.

If we receive trail commission for a product or products, this does not mean that we are obliged to provide an ongoing service or keep your product or products under review; however, we will do so on your request. Alternatively, we can put a formal review agreement in place.

OBJECTIVES & RESTRICTIONS

Following the issue of this document, any subsequent advice offered to you will usually be based on your stated objectives, acceptable level of risk and any restrictions you wish to place on the types of products or funds you are willing to consider. Details of your stated objectives will be identified during our discussions with you and confirmed in the suitability report that we will issue to you to confirm our advice. If we identify an area (or areas) that we consider requires financial planning, but you have not included it in your stated objectives, we will discuss this with you and will confirm in the suitability report whether or not it is an area on which we are offering advice.

We will assume that you do not wish to place any restrictions on the advice we give you, unless you confirm to the contrary.

CLIENT RISK

The suitability report will detail all the risks associated with the product or products and the action that we recommend. For the purposes of general awareness of product risk, you are advised of the following:

- Stock market fluctuations cause the value of investments to fall as well as rise and you therefore might not get back the full amount invested
- Past performance is not a guide to future performance
- Protection products do not usually acquire a surrender value
- If you stop paying the premiums to your protection product, the cover will expire
- Your home may be repossessed if you do not keep up the payments on your mortgage
- If you transfer unsecured debt to your home or other property, that property becomes security against the debt
- If you transfer a relatively short term debt to your home or other property and the mortgage term is longer than that of the debt, you could pay back more total interest
- Equity release, lifetime mortgages and home reversions are complex products and you should request personalised information
- Any advice we give you is based on current government legislation, which could change in the future

BEST EXECUTION

THIS SECTION APPLIES ONLY TO CLIENTS WHO ARE TRANSACTING INVESTMENT BUSINESS.

When we feel that the client is best served by placing particular business with a third party, it is in our clients' interest and our own that we obtain the best possible result when placing orders with other firms for the execution of client orders or when transmitting orders on behalf of clients. We are required by the Financial Services Authority to take all reasonable steps to provide 'best execution' when carrying out such transactions.

When placing orders or transmitting orders on behalf of our clients, we usually utilise the services of a third party broker and base our decision to place or transmit an order on the overall cost of execution of the order and the quality and capability of the third party broker we recommend. An example of such an arrangement would be utilising the services of a stockbroker or portfolio management company to sell part or all of a portfolio of shares.

Full details of our best execution arrangements are provided in our best execution policy, a copy of which is available upon request.

MODE OF COMMUNICATION

We will communicate with you through whatever means are convenient to you and us, including face-to-face, telephone, email and other acceptable electronic communication methods.

TERMINATION OF AUTHORITY

You or we may terminate our authority to act on your behalf at any time, without penalty. Notice of this termination must be given in writing and will take effect from the date of receipt. Termination is without prejudice to any transactions already initiated, which will be completed according to the Client Agreement unless agreed otherwise in writing. You will be liable to pay for any transactions made or carried out prior to termination and any fees that may be outstanding.

RIGHT TO WITHDRAW

In the case of many packaged investment products, such as life assurance contracts, personal pension schemes, investment bonds and collective investment schemes, a right to withdraw or cancel the contract within a specified period is normally provided. Details of such rights are ordinarily contained in the product literature (e.g. Key Features Document), but we will also confirm them to you in writing. If no such rights apply, we will confirm this in writing also.

REGULATORY STATUS

Smith & Pinching Financial Services Ltd is authorised and regulated by the Financial Services Authority (FSA). Our FSA register number is 186616.

The FSA can be contacted as follows:

- Write to: 25 The North Colonnade, Canary Wharf, London E14 5HS
- Telephone: 0845 606 1234
- Website: www.fsa.gov.uk

CONFLICT OF INTEREST

Occasions may arise where we or one or more of our other clients have some form of interest in business being transacted for you. If this happens, or we become aware that our interests or those of one of our other clients conflict with your interests, we will write to you and obtain your consent before we carry out your instructions. We will detail the steps we will take to ensure fair treatment.

We have in place a conflict of interest policy to help us manage such risks, a copy of which is available upon request.

OUR RELATIONSHIP WITH NUCLEUS FINANCIAL GROUP

As a company, Smith & Pinching Financial Services Ltd owns a small shareholding in Nucleus Financial, which effectively allows us to use their wrap service. The cost of the purchase of this holding is not passed on to you in any way.

51% of Nucleus is owned by its IFA participants; the remaining 49% is owned by Sanlam, a South African financial services company.

We are not under any obligation to deliver a specified volume of business to Nucleus, nor are there penalties for non-delivery. There is no conflict of interest between you and us.

If we recommend that you make use of the Nucleus wrap, we will justify our recommendation to you via the suitability report.

ASSOCIATED COMPANIES

When appropriate, we recommend the funds of an associated company, which is Smith & Pinching Portfolio Management Ltd (trading as OPM Fund Management). If we make such a recommendation to you, we will confirm in writing our reasons for doing so.

Smith & Pinching Financial Services Ltd and Smith & Pinching Portfolio Management Ltd are ultimately owned, controlled and managed by the same individuals.

HOW WE ARE REMUNERATED – YOUR PAYMENT OPTIONS

Not all firms charge in the same way. Our income is usually derived from either commission paid to us by the product provider, fees paid to us by our clients or a combination of the two. As independent financial advisers, we must make our methods of remuneration flexible, in order to give you a choice of how you would like to pay us for our services. We always seek to make an arrangement that is mutually acceptable to you and to us. Commission is either included within product charges made by the product provider, or is an additional charge that reduces the initial value of your investment. Investment business and insurance business are subject to a different charging structure to mortgage business, equity release business, lifetime mortgage business and home reversion business. The charging structures for investment business and insurance business are given in the following sections; the charging structures for mortgage business, equity release business, lifetime mortgage business and home reversion business are given in the Mortgage Initial Disclosure Document and the Equity Release Initial Disclosure Document.

Examples of remuneration for advice and a recommendation to invest £100,000 in an investment bond:

- Commission only – 3% of the initial value of the investment (£3,000), plus 1% fund-based trail (£1,000 per annum initially, but dependent on fund value thereafter); both commission amounts paid to us by the product provider
- Time-based fee only – £3,000 paid up front by you for 15 hours' work (covering both consultant and administrator fees); no commission paid to us by the product provider and any subsequent reviews are charged separately and based on hours worked
- Value-based fee only – 3% of the initial value of the investment (£3,000) plus 1% fund-based annual fee (£1,000 per annum initially, but dependant on fund value thereafter). Both amounts are paid directly by you
- Combination of commission and fee – commission equal to 2% of the initial value of the investment (£2,000), plus 0.5% fund-based commission (£500 per annum initially, but dependent on fund value thereafter), plus £1,000 fee paid up front by you and 0.5% fund-based annual fee (£500 per annum initially, but dependant on fund value thereafter); both commission amounts paid to us by the product provider

PLEASE NOTE THAT THESE ARE EXAMPLES AND ARE USED FOR ILLUSTRATIVE PURPOSES ONLY; THE ACTUAL AMOUNTS OF COMMISSIONS AND FEES WILL VARY.

INVESTMENT & INSURANCE BUSINESS CHARGING STRUCTURE

We offer an initial discussion without charge, at which we will describe our services fully and explain the payment options. If you decide to go ahead, we will gather and analyse personal and financial information, together with information regarding your needs, preferences and objectives. We will also recommend and discuss any action we think you should take and, with your agreement, arrange relevant products for you.

If you choose to pay us by fee, we will agree its basis, frequency and method with you in writing before we carry out any work for which we will charge you.

You may ask us for an estimate of how much we might charge in total, but we will not be bound by this. You may also ask us not to exceed a certain amount without checking with you first.

We reserve the right to alter our fees at any point in the future. If this happens, we will inform you in writing at the earliest opportunity. You will be free to withdraw from this agreement without penalty if you do not agree that the revised fee basis is fair or is prohibitively expensive.

If you choose the commission option, we will inform you of the amount in writing before we carry out any transaction on your behalf. The commission we receive will vary according to the following factors:

- Product type
- Amount invested
- Period of investment
- Age when product commences

We may also receive some form of benefit if we introduce business to a product provider or another firm. We will tell you before the transaction if we are likely to receive such a benefit from recommending any product to you, or from working with any product provider or firm.

If you choose the combination of commission and fee option, the actual amounts will depend on the service provided.

WE RESERVE THE RIGHT TO CHARGE YOU £250 IF YOU DECIDE THAT YOU DO NOT WANT TO PROCEED WITH A RECOMMENDATION THAT WE HAVE MADE. THIS IS IN ORDER TO COVER OUR INITIAL RESEARCH AND ADMINISTRATION COSTS.

VAT

We are registered for VAT (our VAT registration number is 899856816).

If we charge you a fee, it may attract VAT. Commissions paid to us by insurers and investment houses in relation to products arranged are exempt from VAT.

Your adviser will tell you whether or not you will have to pay VAT on any fee we charge you.

WHAT TO DO IF YOU HAVE A COMPLAINT

If you wish to register a complaint, please contact us as follows:

- Write to: Mr Scott Pinching (the Compliance Officer) at the address given above
- Telephone: 01603 789966
- Email: info@smith-pinching.co.uk

Alternatively, you can register your complaint with any member of staff, who will pass it to the correct department or individual to deal with.

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service.

ARE WE COVERED BY THE FINANCIAL SERVICES COMPENSATION SCHEME (FSCS)?

We are covered by the FSCS. You may be entitled to compensation from the FSCS if we cannot meet our obligations. Compensation depends on the type of business and the circumstances of the claim. The compensation limits are as follow:

- Investments (provision and mediation) – 100% of the first £50,000
- Mortgages, equity release, lifetime mortgages and home reversions (advising or arranging) – 100% of the first £50,000
- Non-compulsory insurance (provision and mediation) – 90% of the claim, with no upper limit
- Compulsory insurance (provision and mediation) – 100% with no upper limit
- Cash deposits (for claims against firms declared in default from 31st December 2010) – 100% of £85,000 per person per firm. Different limits apply to claims made against firms that were declared in default prior to 31st December 2010 and you should check with your adviser or the FSCS for details

Further information is available from the FSCS, whom you can contact as follows:

- Write to: 7th Floor, Lloyds Chambers, Portsoken Street, London, E1 8BN
- Telephone: 020 7892 7300
- Email: enquiries@fscs.org.uk
- Website: www.fscs.org.uk

WE ADVISE ON BUY-TO-LET MORTGAGES. THIS TYPE OF MORTGAGE IS CURRENTLY UNREGULATED AND THEREFORE IS NOT COVERED BY THE FSCS.

DATA PROTECTION STATEMENT

In order to advise you properly and assess the suitability of a given product or service, we must obtain certain information from you about your personal and financial circumstances. Any information you give us will be treated confidentially and you will have the right to access it under the Data Protection Act 1988 ('the Act'). You may be charged a fee (subject to the statutory maximum) for supplying you with such data.

The information you provide may also contain sensitive personal data. Whilst the Act has an extensive list of what constitutes sensitive personal data, any information we might require and might be obliged to pass on to other companies is likely to be confined to your physical or mental health or condition, any offence committed or alleged to have been committed by you, any proceedings for an offence committed or alleged to have been committed by you, including the outcome or sentence in such proceedings, your sexual life.

BY SIGNING THIS CLIENT AGREEMENT, YOU AGREE TO THE FOLLOWING:

- That the information we hold about you can be stored on computer and/or paper files, will be kept up to date and will not be kept for longer than necessary
- That any information you give us may be disclosed to third parties. This includes, but is not limited to, credit reference agencies, product providers, the FSA or any other statutory, governmental or regulatory body for legitimate purposes including, where relevant, to solicitors and/or debt collection agencies for debt collection purposes and carrying out operations on the information or data for the purpose of processing your application
- That any information you give us may be disclosed to another firm upon the sale of all or part of our business
- That we may use the information we hold about you to contact you from time to time by post, fax, email or telephone to bring to your attention additional products or services that may be of benefit to you

SMITH & PINCHING FINANCIAL SERVICES LTD AGREES THAT ANY CONSENT GIVEN BY YOU UNDER THE FOURTH POINT ABOVE MAY BE WITHDRAWN BY YOU AT ANY TIME BY WRITING TO MR SCOTT PINCHING (THE DATA PROTECTION OFFICER) AT THE ADDRESS GIVEN ABOVE.

For our joint protection, telephone calls may be monitored and/or recorded.

TREATING CUSTOMERS FAIRLY STATEMENT – OUR COMMITMENT TO YOU

Treating Customers Fairly (TCF) is a key FSA objective and is central to their regulatory agenda of ensuring an efficient and effective financial services market. Our business would not exist without our customers and so ensuring their fair treatment is foremost in our considerations; to this end, we have considered the FSA's six 'consumer outcomes' when formulating our business process. These outcomes, listed below, are central to the TCF objective.

- **CONSUMERS CAN BE CONFIDENT THAT THEY ARE DEALING WITH FIRMS WHERE THE FAIR TREATMENT OF THEIR CUSTOMERS IS CENTRAL TO THE CORPORATE CULTURE.** Every aspect of our business has been analysed from a TCF standpoint and we have ensured that all members of staff are aware of the concept and their responsibilities. We put your interests first and provide you with a fair deal; we ensure you receive a professional service of the standard you would expect from competent staff.
- **PRODUCTS AND SERVICES MARKETED AND SOLD IN THE RETAIL MARKET HAVE BEEN DESIGNED TO MEET THE NEEDS OF IDENTIFIED CONSUMER GROUPS AND ARE TARGETED ACCORDINGLY.** You can be confident that the communications you receive from us regarding the products we advise on and arrange for you will be fair, clear and not misleading. They will detail the product features, why it is suitable and its risks; these details will be clearly set out in the context of your specific needs.
- **CONSUMERS ARE PROVIDED WITH CLEAR INFORMATION AND ARE KEPT APPROPRIATELY INFORMED BEFORE, DURING AND AFTER THE POINT OF SALE.** We will communicate with you at all points of the advice process in a way that is clear, fair and not misleading. If, at the end of the process, you are not happy with our advice and recommendation, you are under no obligation to accept the advice we offer.
- **WHERE CONSUMERS RECEIVE ADVICE, THE ADVICE IS SUITABLE AND TAKES ACCOUNT OF THEIR CIRCUMSTANCES.** We will not advise on and arrange a product that is not suitable for you as an individual. We will not recommend any product that is in our interest to arrange, as opposed to being in your interest to enter into.
- **CONSUMERS ARE PROVIDED WITH PRODUCTS THAT PERFORM AS FIRMS HAVE LED THEM TO EXPECT, AND THE ASSOCIATED SERVICE IS BOTH OF AN ACCEPTABLE STANDARD AND ALSO AS THEY HAVE BEEN LED TO EXPECT.** The products that we recommend you will perform as we have led you to expect.
- **CONSUMERS DO NOT FACE UNREASONABLE POST-SALE BARRIERS IMPOSED BY FIRMS TO CHANGE PRODUCT, SWITCH PROVIDER, SUBMIT A CLAIM OR MAKE A COMPLAINT.** Our responsibilities do not end with the completion of the advice process. If you decide that the product, provider or fund is unsuitable for you, we will take your views into consideration and will facilitate a change. In addition, you are within your rights to complain about any aspect of the advice process and anything we have done or failed to do. Your complaint can be verbal or written and does not have to be justified.

SIGN OFF

This is our standard client agreement upon which we intend to rely. For your own benefit and protection, you should read these terms carefully before signing them. If you do not understand any point, please ask for further information.

By signing, you authorise the transfer of information, as described above in the Data Protection section.

The Client Agreement will come into effect from the date of issue below.

Client Name(s)	
Client Signature(s)	
Consultant Name	
Consultant Signature	
Date of Issue	