Case Study:

Gary Neild

Managing Director & Chair, Blue Sky Financial Planning

Gary Neild is managing director and chair of Blue Sky's Investment Committee, as well as an experienced financial planner.

Gary admits to being very wary about P2P before starting to recommend P2P loans to his clients. He was concerned with the sustainability, the risk profile, whether clients were protected under the Financial Services Compensation Scheme and the regulatory status. But, in his view, education and due diligence are essential for all advisers, before they start to recommend any offer; "If advisers can't explain it to someone, they shouldn't be doing it."

He says, "we have to do our due diligence to make sure we're very confident in what we're recommending." That's why he chose a wellestablished property backed loan service with first charge security.

He doesn't use P2P to chase stellar returns. Instead, he's looking for predictable yield. Portfolio diversification, or making excess cash work a little harder, are his main targets, bearing in mind the liquidity considerations.

And, with a cash management service that researches bank accounts, Blue Sky is wellplaced to judge how hard cash is working and how long it might be locked in to lowyielding accounts. Like Max, Gary's view is that P2P is, "a complement to what you've already got and for us, it's really about cashbeating, inflationbeating secured investing."

Gary continues, "Is risk leaving your money languishing in latent deposit accounts, guaranteed to lose money against inflation?"

Blue Sky uses P2P as a risk management tool, under the right circumstances, with the right clients. They can be wealthy retired clients who like the steadiness of the returns or those with less money, trading some liquidity for better returns than cash, probably at a maximum of 10% of their portfolio.

But, the firm only uses P2P that has strong asset backing.

It's clear that there is a lot going on for financial advisers at the moment, from MiFID II to PRIIPs, GDPR to SM&CR. And new asset classes can be threatening for advisers; they have to be mindful of their reputation, especially when the asset class has a reputation for high risk, even if that isn't the whole story. But for Gary, the needs of clients come first and he thinks, "it's remiss of an adviser not to consider it, particularly in this low interest rate environment."