

Britain's Private Banks Lose Out on £285 Billion Investment Opportunity

A new report from Tulip Financial Research Ltd¹ reveals that although most of Britain's wealthiest investors use a private bank, only a small minority use their private bank for investment management or advice. As a result the banks miss out on a £285 billion investment opportunity.

Britain's Wealthiest Investors

There are 135,000 private investors in Britain with more than £500,000 in liquid, investible assets, each owning an average £3.9 million in liquid investments. Together they own £527 billion of investments, almost half (46%) of Britain's total liquid assets of £1.12 trillion. That means a third of one percent (0.3%) of Britain's adult population now owns almost half of Britain's total liquid wealth! (Table 1 overleaf).

Private Bank Usage

73,000 (54%) of these wealthy investors (or Ultra HNWs, as they are known in the banking trade) have accounts with one or more private banks, giving these specialist banks access to clients owning £285 billion in investments. Yet only one in five (22%) of these investors use their private bank for investment management, most preferring just to use it just for current or savings accounts – as an ordinary retail bank with superior personal service!

Which Private Banks?

Which private banks do these rich investors use? The table below shows that the most popular are the very specialist private banks, banks that are each named individually in Tulip's recent survey by less than 1% of Ultra HNWs. These specialist banks are together used by almost half (41%) of all wealthy investors using a private bank, followed by Barclays Private Bank, Lloyds TSB Private Bank, Coutts and NatWest Private Bank, all with substantial wealthy investor customer bases.

BASE: WEALTHY INVESTORS USING PRIVATE BANKS	
Private Banks Used	%
Specialist Private Banks: (banks used individually by less than 1% of Ultra HNWs)	41
Barclays Private Banking	29
Lloyds TSB Private Banking	26
Coutts	21
NatWest Private Banking	21
HSBC Private Bank/HSBC Republic	9
American Express Private Bank	9
Bank of Scotland Private Banking	6
RBS Private Banking	6

¹ "HNW & Ultra HNW 2005 Investment Plans", Published March 2005, is available from Tulip Financial Research Ltd (020 7582 6870) and from Mintel International Group Ltd 020 7606 4533)



Private Bank Services Used

Four out of five wealthy private bank customers (78%) use their private bank for current and savings account banking: just one in five for investment management and/or advice. The private banks are missing a major opportunity. Customers use private banks mainly because they get very personal service, they do not in most cases use them for investment matters. They are much more likely to use IFAs or stockbrokers for investment advice.

BASE: WEALTHY INVESTORS USING PRIVATE BANKS	
	%
Private Bank Services Used	
Current Account Banking	78
Savings, Deposit or Money Market Accounts	58
Investment Management or advice	22
Loans or Borrowing	11
Tax Advice	8
Trust or Estate Management	8
Investment Advisers to be used in 2005	
An IFA	38
A stockbroker	38
A private bank	13
An accountant	11
A retail bank	8
None of these: just myself	25

John Clemens, Managing Partner of Tulip Financial Research, commenting on these findings said:

“Britain’s private banks have direct access to most of Britain’s very wealthy investors – to investors individually owning millions in liquid assets. They are successful in attracting the rich, who use them for their personal service, their understanding of the financial needs of the wealthy and their confidentiality. The surprise is that relatively few – just one in five of the Ultra HNWs - use their private banks for investment purposes. Most prefer either to make their own investment decisions without advice, or turn for advice to either an IFA or a stockbroker. Private banks are missing out on a major profit opportunity – the opportunity to be involved in the investment activities of many of their wealthy clients. There seems to be a lack of proactive marketing by private banks of their investment skills”.

For more information call John Clemens, Managing Partner, Tulip Financial Research Limited on 020 7582 6870 or email john.Clemens@tulipresearch.com



Table 1: The Liquid Wealth of Britain's Wealthiest 5%

Base: the UK's wealthiest 5%	Average Liquid Assets: £	Population 000s	% of UK Liquid Assets Owned
The Mass Affluent (4%)	£94,000	1,880	9.6%
HNWs (0.7%)	£432,000	335	13.6%
Ultra HNWs (0.3%)	3,870,000	135	47.1%
The UK Super-Rich	£39,057,000	One	3.6%

Table 2: Ultra HNW Private Bank Usage

Base: the UK's wealthiest 0.3%	Ultra HNWs %	000s
Now use one or more private banks	54	72.9
Intend to use a private bank in 2005	7	9.4
Do not and will not use private bank	39	17.7