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# Being a DIY investor can pay dividends

**Smart money** Online trading offers the lowest-cost way to buy stocks and shares, but beware of hidden charges, says **David Budworth**

If you want to take a DIY approach to investing, then the chances are that you already have a share-trading account. But unless you have checked out the options recently you may not be getting the best deal.

The range of services available is growing by the year, with companies from Barclays to Saga, which caters for the over-50s, getting in on the act.

Deciding which service will work best for you will depend on how you would like to trade — directly or through an individual savings account (Isa) — how often you intend to deal, and how many extra services you expect, for example advice or portfolio tools.

## Telephone or website

Although most brokers offer online and telephone services, there is a drive to force more people to use the web. Until January 1, Selftrade, one of the UK's largest execution-only stockbrokers (execution only means that it doesn't offer advice) charged online and telephone customers £12.50 per trade.

Since then, the telephone rate has risen to £17.50 for deals of £2,500 or less, while trades of up to £100,000 now cost £40 each.

Most other brokers already charge more for telephone trades. Those that don't include The Share Centre, which charges 1 per cent whether you deal by telephone or online, with a minimum charge of £7.50 per trade.

ShareDeal Active's standard telephone and online commission is £9.50. Interactive Investor charges a standard £10.

## Cheapest deals

If you want the cheapest deals you must go online. JPJShare.com offers £5.75 to buy or sell London-listed shares. If you trade 15 times or more in a calendar month, that falls to £4.75 for that month.

Its telephone dealing rate is also low — costing £7.50 on trades of up to £35,000 and £15 on trades between £35,000 and £49,999.

However, it is not going to suit everyone, as it is regulated and based in the Isle of Man, so investors are not covered by the UK's Financial Services Compensation Scheme (FSCS).

The Isle of Man operates its own compensation scheme. Also, the service offered by JPJShare.com is "no-frills", with few extras to help the investor.

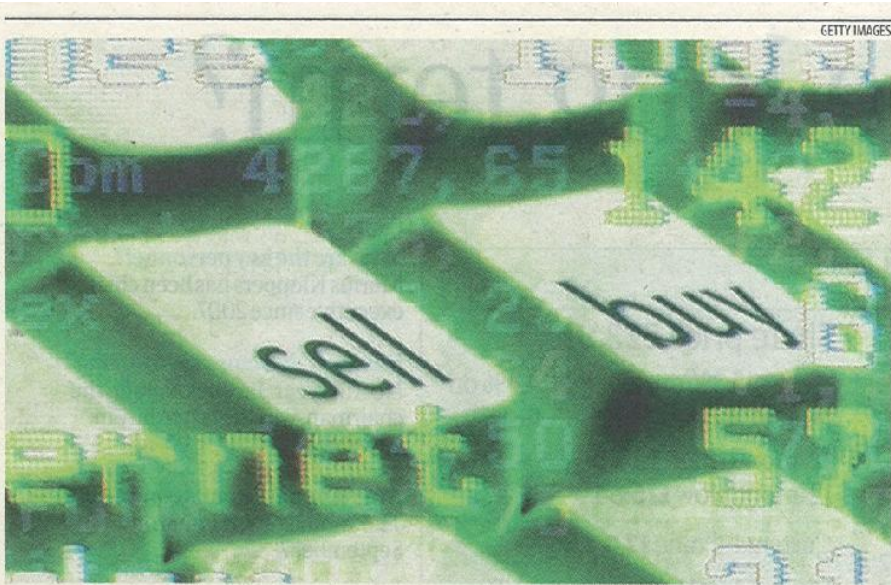
Another dealer charging the same low rate of £5.75 per trade is SVS Securities and it currently has a special offer of £1 per trade for the first 30 days. It is also a member of the FSCS, so if it went bust and was unable to return investors' money, they could claim up to £50,000 from the compensation scheme.

## Isa accounts

On the down side, JPJShare.com and SVS Securities do not offer tax-efficient Isa accounts. The cheapest broker that does is X-O.co.uk, which charges £5.95 per trade.

However, would-be investors should take care with all of these low-cost sites.

A quick glance at investor message boards such as reviewcentre.com and moneysavingexpert.co.uk would suggest



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**Take charge: higher rates for phone dealing are pushing investors into online trading**

that some users have been disappointed with the services, missing out on trades because the web service was down or the shares they wanted to buy were not available. Others have complained about the standard of research. That said, some of the larger, more expensive brokers also get poor reviews.

**Extra costs**

Don't be seduced by the headline dealing rate. Exit charges mean that if you are disappointed with a service it can be costly to transfer out of it.

SVS Securities charges an exit penalty of

£20 per stock, while the fee at X-O is £15 per stock, plus a £50 Isa transfer charge.

Always check the charges sheet in the terms and conditions and compare costs across the board.

Charges to look out for include annual administration fees. The Share Centre, for example, charges £2.50 plus VAT every three months. At ShareDeal Active, which like X-O is owned by Jarvis Investment Management, there is a hefty £50 a year Isa administration fee.

If you do not intend to trade regularly, watch out for inactivity fees, charged by the likes of TD Waterhouse and Barclays

Stockbrokers. Alternatively, if you do deal frequently, many brokers will discount dealing charges and other fees. Investors must also pay 0.5 per cent stamp duty on the purchase of all UK shares.

**Share certificates**

You will pay more if you want to hold certificates for each shareholding. Some of the low-cost brokers don't allow it, and insist that all shares are held in an electronic portfolio via a nominee account.

The main advantage of holding your own certificates is that your name appears on the company register, which means that any documentation, such as the report and accounts, and restructuring proposals are sent directly to you and you can attend company meetings at no extra cost.

If you hold your shares in a nominee account you will usually need to pay a fee of about £20 a time to receive a printed

**Standard online dealing fees**

**JPJShare.com/  
SVS Securities**  
£5.75 per trade

**The Share Centre**  
1% (minimum £7.50) per trade

**Halifax Share Dealing**  
£11.95 per trade

**TD Waterhouse**  
£12.50 per trade

**Barclays Stockbrokers**  
£12.95 per trade

report and accounts (you can view them on company websites for free), plus a similar charge for the authorisation to attend company meetings.

**Best service**

As service is all important, and can often be difficult to evaluate, ask your friends if they have an account and how they would rate it.

Ask them if their broker is able to get a good price for his or her clients. It may be worth paying more to deal over the telephone if it gives you more control over the prices at which you buy and sell.

Ask brokers whether you can place a price limit at which you buy or sell a stock. Limit orders can protect you from big falls when the stock market is volatile.

Also check whether you can deal in foreign shares, as some brokers do not allow this type of trading.