This bonkers EU rule is starving our investment trusts of cash, Ros Altmann says

- **Britain must ditch an EU law that has left investment trusts in 'existential danger'**

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Britain must ditch an EU law that has left investment trusts in 'existential danger' and 'starved' of funds, a leading peer has warned.

Speaking out: Baroness Ros Altmann told The Mail on Sunday that the rules had been 'misapplied'

Investment trusts are stock market-listed companies that make their money by buying shares in other businesses. Millions of Britons hold savings in such trusts.

But rules introduced by the European Union before Brexit require trusts listed on the London Stock Exchange to report their fees and charges in a way that makes them look more costly than they are.

Baroness Ros Altmann, a pensions minister under David Cameron and Theresa May, told The Mail on Sunday that the rules had been 'misapplied' and that they were not even followed by trusts still based in the EU.

'We haven't taken any of the benefits of being out of the EU, we've actually imposed an extra penalty on ourselves,' Altmann said.

The situation has left British investment trusts 'uniquely disadvantaged' compared with international rivals, she added.

Under EU regulations passed in 2013, these trusts, which are listed on the stock market, were classed as 'alternative investment funds'.

In terms of regulation, this put them in the same category as private equity and hedge funds, which are often opaque about their fees.

But the trusts are already subject to the strict disclosure rules required for public companies.

Altmann said this 'confusing' arrangement meant trusts were required to report some charges in a way that made it seem as if they were being paid directly by investors when they were not. In turn, this made investing in them appear more expensive than the reality.

Similar companies from overseas do not report these charges in the same way, she said and, as a result, it was 'incentivising investors not to support British companies'.

Altmann has tabled a bill in the House of Lords to remove investment trusts from these disclosure rules, which she says would help re-balance the playing field and tempt money back to the UK.

Alan Brierley at Investec, warned that for London-listed trusts, trading at discounts to the value of their underlying assets could become 'entrenched' if the issue was not resolved, adding: 'The risk is that because many investors have reduced their exposure because of the cost disclosure rules, we may not see the same recovery.'

The Government is seeking to arrest a sharp fall in money pumped into the UK by some of its largest institutions. Official figures recently revealed the amount of London-listed shares owned by pension funds fell to a record low of just 1.6 per cent in 2022.