EU rules left UK investment trusts vulnerable to assault from US corporate raider Saba Capital

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EU rules left the investment trust sector vulnerable to assault from US corporate raider Saba Capital, a former pensions minister has warned.

Baroness Ros Altmann said Saba boss Boaz Weinstein was able to 'take advantage' of laws that made investing in London-listed trusts appear costlier than in reality.

This held back share prices, leaving the sector a sitting duck for predators.

'The leftover EU rules were definitely part of the reason Saba was able to swoop in and take advantage of the excessive discounts that resulted, at least in part, from misleading charge figures forced on trusts by misapplied regulations,' Altmann told the Mail.

Despite Britain leaving the EU, UK regulators opted to impose rules on investment trusts, originating in Brussels, that forced them to display the costs of running the trust as if they were paid by shareholders. This was incorrect, as these expenses are incorporated into a trust's share price.

It meant UK trusts' costs were double-counted. Altmann said the charges 'forced many investors to sell and prevented others from buying', which made it easier for raiders such as Saba to buy stakes before launching coups.

Discounts: Baroness Ros Altmann (pictured) said Saba was able to 'take advantage' of EU rules that made investing in London trusts appear more expensive than was the case

The Mail on Sunday revealed last year more than 130 money managers had written to then-chancellor Jeremy Hunt urging him to act on a problem they estimated was costing the UK £7billion in investment a year.

Saba, run by Weinstein, has bought stakes of between 19 per cent and 29 per cent in seven trusts and has proposed ousting their boards and replacing them with its own nominees.

Two of these, Baillie Gifford US Growth and Keystone Positive Change, hold meetings on Monday where investors will vote on Saba's proposals.

Last week shareholders in the £1.3billion Herald Investment Trust, Saba's first target, decisively rejected its plans.

All seven trusts have large numbers of retail investors, meaning turnout is crucial in deciding the outcomes.

But concerns have been raised that many small stockholders who hold shares through investment platforms are not being informed about upcoming votes or denied the opportunity to cast ballots.

Industry body the Association of Investment Companies has written to Business Secretary Jonathan Reynolds to demand platforms tell small investors about meetings at the firms they invest in.