



## HAPPY WITH DEALING ON THE INTERNET

### **Peter Jones** 71, *retired*

Peter Jones is a satisfied share dealer. He used telephone dealing for many years before switching recently to the internet.

Peter uses Jarvis Investment Management as his main stockbroker. He's found the company cheap and the telephone-dealing service has always been quick and efficient, but he's found errors on his statements that had to be straightened out. Peter says: 'I'd recommend it to

a friend who was in the habit of checking statements.'

Peter has also set up a Hargreaves Lansdown nominee account to hold some shares he formerly had in certificates, as they were free to transfer and hold there. He's found the shares easier to manage in a nominee account. Peter thinks the service is very efficient and particularly likes the broker's clear statements.



# Deal your own shares

You may be bold enough to make your own share choices, but you still need to use a stockbroker. We've discovered those you like, what they offer and what they cost

**M**ore people are getting back into buying and selling shares, and it's not hard to see why. The value of the stock market has almost doubled since its lows in 2003, which has tempted smaller investors back, including those confident enough to make their own share decisions.

According to stock-market researcher Compeer, the number of share trades made without advice from dealers has increased from just over a million in the first quarter of 2003 to around two million a quarter now.

Share trading is complex and there are many decisions to make. We look at how it works, your views on brokers and the costs involved.

### **Types of service**

This report is about execution-only dealing, where a broker carries out your instructions without giving advice. This is the cheapest type of dealing but costs vary among brokers. Other services are available, which offer advice or take decisions for you, but they tend to be more expensive.

### **Holding shares**

You can hold shares in paper certificates or electronically.

**Certificates** With this traditional method, you buy shares and get a certificate of ownership.

Certificates create problems with time. Deals are settled (paid for) three working days after a deal so, with the post, it's difficult to get certificates (if you're selling) or money (if you're buying) to your broker in time. Many stockbrokers give longer to settle with certificates but this method still costs more than with electronic dealing.

**Electronic dealing** The most common method of electronic dealing is through nominee accounts, where you have an account with a broker. When you buy shares, your broker is listed as the legal owner but holds shares in trust for you. There are no problems with time as your broker can do the paperwork. When you buy, money usually comes direct from the account you've set up with your broker.

An electronic alternative, more suited to experienced investors, is to become a sponsored member of Crest (an electronic share-settlement system). This allows you

## Is share dealing for you?

**You should have the rest of your finances sorted before you think about share dealing**

### Ask yourself

- ☒ Are you free of debt (apart from a mortgage)?
- ☒ Do you have between three and six months' savings available so you could survive if you lost your job?
- ☒ Are you protected through your own or a work income protection policy, if you couldn't work because of long-term illness?
- ☒ Do you have life insurance if you have dependants?
- ☒ Have you joined your employer's pension scheme, or do you have your own pension?

If you can answer 'yes' to all questions, you can consider investing. Even then, share dealing is more risky than buying shares through investment funds such as unit and investment trusts where you pool your savings with other savers in many companies. Remember, you'll be making the decisions. You need patience to research companies and confidence to invest your own money.



to hold shares in your own name in electronic form. There is a charge of £10 a year.

Nominee accountholders don't automatically receive documents such as a company's annual report or an invite to its annual general meeting – unlike certificate and Crest dealers.

However, many brokers will provide annual reports free on request or you can go to the company website.

The Companies Act 2006 will lead to nominee accountholders having these rights automatically. The act could also bring about the death of certificates, as companies will be able to give shareholders a reference number rather than having to post certificates.

### Different ways to trade

There are several ways to instruct your broker if you're trading execution-only.

**In person or post** Going to a branch or sending instructions by post are more common with certificate dealing and more expensive than telephone or internet dealing.

## OUR SURVEY ON MEMBERS' VIEWS

We asked Which? members to rate their brokers (see table below). In September we sent 20,698 questionnaires to our online panel. We received 1,162 responses on online share dealing, 531 on telephone dealing and 160 on postal dealing. Some people had used more than one method.

We asked how satisfied they are with their brokers overall, and with particular parts of the service – such as ease of use and value for money.

Overall, in 95 per cent of cases, people are satisfied with their service, while 61 per cent are very

happy with their broker.

The Share Centre comes out top – almost eight in ten clients are very satisfied. Hargreaves Lansdown and Barclays are close behind, with Hargreaves Lansdown also scoring highly on broker information, dealing with queries and value for money.

Lloyds TSB has the lowest rating, but even here, 45 per cent are very happy with the service it provides.

For more information on the services and costs offered by these brokers, and those of other cheap stockbrokers, see our table on p32.

### MEMBERS' SATISFACTION RATINGS OF BROKERS

STOCKBROKER	ONLINE ONLY		ONLINE, TELEPHONE AND POST						
	RESEARCH TOOLS	MONITORING PORTFOLIO	ACCESSING ACCOUNT	PLACING ORDERS	EASE OF USE	DEALING WITH QUERIES	BROKER INFORMATION	VALUE FOR MONEY	OVERALL SATISFACTION
THE SHARE CENTRE (81)	★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★★
HARGREAVES LANSDOWN (145)	★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★★	★★★★★	★★★★★	★★★★★
BARCLAYS (249)	★★★★★	★★★★★	★★★★★	★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★★
REDMAYNE-BENTLEY (30)			★★★★	★★★★★	★★★★★			★★★★	★★★★
SAGA (43)			★★★★★	★★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★
STOCKTRADE (55)			★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
HOODLESS BRENNAN (30)			★★★★★	★★★★	★★★★		★★★★	★★★★★	★★★★
SELFTRADE (186)	★★★★	★★★★	★★★★★	★★★★	★★★★★	★★	★★★★	★★★★	★★★★
HALIFAX (159)	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
TD WATERHOUSE (101)	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
CHARLES STANLEY (48)			★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
HSBC (46)		★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
IWEB (30)			★★★★	★★★★	★★★★			★★★★	★★★★
NATWEST (79)	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★	★★★★
INTERACTIVE INVESTOR (36)	★★★★★	★★★★	★★★★	★★	★★★★		★	★★★★★	★★★★
ABBEY NATIONAL (35)			★	★★	★★	★★★★	★	★★	★★
LLOYDS TSB (149)	★★★★	★	★	★	★	★★★★	★★★★	★	★

The numbers in brackets after brokers' names show response numbers for each company. Blanks indicate too few responses to give a rating

In addition, branch dealing gives you a limited choice of brokers, while postal dealing can result in a different price from that expected because of changes while your instructions are in the post

**By telephone** When you phone to instruct your broker, you'll either be quoted a price and choose whether to accept or not, or the broker will get the best price available.

**Online** This is the most common channel for execution-only dealing. It's the cheapest route and generally you know the price you're getting when you deal.

Most brokers also supply research tools so you can make informed decisions and online services mean you can check your portfolio whenever you like.

## Placing orders

There are various types of order. Not all brokers offer each one.

**At quote** You are quoted a price and have a period of time – usually 15 seconds – to decide whether to accept it or not. Many phone and internet services offer this.

**At best** The stockbroker gets the lowest price available if you're buying and the highest price if you're selling. You don't know the exact price when you deal.

**Limit** You set a limit on the price at which you buy or sell shares. Limit orders are free to set up with many brokers and some run for up to 90 days.

**Stop loss** These orders trigger an automatic sale if the share price drops below a specified level. Your shares are sold at the next available price.

## Broker costs and services

Our table lists electronic dealing services of the 15 stockbrokers with average or above satisfaction ratings in the member survey table, plus the three cheapest services where we don't have a member rating.

Internet dealing has the lowest costs, but Jarvis Investment Management, Interactive Investor and Iweb charge the same rates for telephone and internet dealing. While Hoodless Brennan has the cheapest service overall, note that it was recently fined £90,000 for unacceptable sales practices of its advisory share-dealing arm.

**Dealing costs** Each time you buy or sell shares, you'll pay commission. Some brokers charge a percentage of the deal value, sometimes with a minimum or maximum fee. Other brokers charge a flat fee regardless of the deal size. You also have to pay 0.5 per cent stamp duty on top of broker



Dealing is complex and requires confidence and patience

**If you don't trade regularly, pick an account with low or no fees**

fees when you buy UK shares, with a minimum £5 charge if you're using certificates.

Some brokers also have account fee charges for their nominee accounts – sometimes called inactivity fees – although these may be waived if a certain amount is invested (usually £2,000 or £5,000) or if you trade during the period.

You shouldn't over-trade to avoid fees. If you're not going to be trading regularly, pick an account with low or no fees.

**Switching broker** You can switch brokers if you're unhappy with the service or want a better deal. Most charge between £10 and £20 for every holding you switch.

**If your broker goes bust** UK stockbrokers are regulated by the Financial Services Authority. If one goes bust and owes you money, you can claim through the Financial Services Compensation Scheme.

The scheme pays 100 per cent of the first £30,000 lost, and 90 per cent of the next £20,000 – so you can get a maximum payout of £48,000. This limit applies for each broker, so investors with large portfolios may wish to spread their portfolio.

## GET MORE BROKER DATA ONLINE

### FREE website access

For details on all the brokers we analysed and further tips on share dealing, visit [www.which.co.uk](http://www.which.co.uk). If you haven't logged in to our website before and would like help, go to [www.which.co.uk/loginhelp](http://www.which.co.uk/loginhelp) for a step-by-step guide.

## BROKERS' SERVICES AND COSTS

NOMINEE EXECUTION-ONLY BROKERS	SER
	ONLINE
<b>TOP SATISFACTION RATING</b>	
THE SHARE CENTRE Batch Dealing	✓
THE SHARE CENTRE Real Time Dealing	✓
THE SHARE CENTRE Trader	✓
<b>GOOD SATISFACTION RATING</b>	
BARCLAYS Marketmaster	✓
BARCLAYS Marketmaster	
HARGREAVES LANSDOWN Vantage	✓
HARGREAVES LANSDOWN Vantage	
<b>AVERAGE SATISFACTION RATING</b>	
CHARLES STANLEY Fastrade	✓
CHARLES STANLEY Fastrade	
CHARLES STANLEY Gold Dealing	
HALIFAX Share Dealing	✓
HALIFAX Share Dealing	
HOODLESS BRENNAN	✓
HOODLESS BRENNAN	
HSBC Investdirect	✓
HSBC Investdirect	
INTERACTIVE INVESTOR	✓
IWEB	✓
NATWEST Brokerline	✓
NATWEST Brokerline	
REDMAYNE-BENTLEY Redm	✓
SAGA Share Direct	✓
SAGA Share Direct	
SELFTRADE	✓
STOCKTRADE Online nominee account	✓
STOCKTRADE Phone nominee account	
TD WATERHOUSE	✓
TD WATERHOUSE	
<b>CHEAPEST WITHOUT A RATING</b>	
JARVIS SHAREDEAL Active	✓
PA DEALING	✓
SHARECRAZY.COM	✓

a Waived if spend in quarter b £17.50 per non-Crest holding  
f £2 per order placed. However, commission on a successful trade is

VICE	COSTS (£)				TRANSFER	INTEREST	TRADE IN			ORDERS			
	TELEPHONE	QUARTERLY ACCOUNT FEE	£1,000 TRADE	£6,000 TRADE	ANNUAL COST					AT BEST	AT QUOTE	STOP LOSS	LIMIT
✓		2.94	10	60	51.75	15	1.75	✓	✓	✓	✓	✓	✓
✓		2.94	10	60	51.75	15	1.75	✓	✓	✓	✓	✓	✓
✓		23.50	7.50	7.50	109	15	1.75	✓	✓	✓	✓	✓	✓
		10.58 <sup>a</sup>	12	12	45.15	15 <sup>b</sup>	1.5	✓	✓	✓	✓	✓	✓
✓		10.58 <sup>a</sup>	17.50	54	69.15	15 <sup>b</sup>	1.5	✓	✓	✓	✓	✓	✓
			9.95	24.95	39.90	12.50 <sup>c</sup>	2.5			✓	✓		
✓			15	50	40	12.50 <sup>c</sup>	2.5	✓	✓	✓	✓	✓ <sup>d</sup>	
		5 <sup>e</sup>	9.99	14.99	49.98	15	3.5	✓	✓	✓	✓	✓	✓
✓		5 <sup>e</sup>	20	55	60	15	3.5	✓	✓	✓	✓	✓	✓
✓			20	55	40	10	3.5	✓	✓	✓	✓	✓	✓
			11.95	11.95	23.90	15	0.1			✓	✓	✓	✓ <sup>f</sup>
✓			15	40	30	15	0.1		✓	✓	✓	✓	✓ <sup>f</sup>
			7	7	14	15	3.25	✓	✓	✓	✓	✓	✓
✓			17	99	66	15	3.25	✓	✓	✓	✓	✓	✓
			11.95	11.95	23.90	0			✓	✓	✓	✓	✓
✓			15	50	30	0			✓	✓	✓	✓	✓
✓			10	10	20	11.75	1			✓	✓	✓	✓ <sup>f</sup>
✓			10	10	20	15	1		✓	✓	✓	✓	✓ <sup>f</sup>
		11.75 <sup>ag</sup>	15	20	30	20	0.2	✓	✓	✓	✓	✓	✓
✓		11.75 <sup>ag</sup>	15	52	40	20	0.2	✓	✓	✓	✓	✓	✓
			12.95	30	25.90	10	2.75	✓		✓	✓	✓	✓
			11.50	11.50	23	10	3.75	✓		✓	✓	✓	✓
✓			12.50	30	35	10	3.75	✓		✓	✓	✓	✓
✓			12.50	12.50	25	10 <sup>h</sup>	0.75	✓	✓	✓	✓	✓	✓
✓		14.10	14.50	24	85.40	15	3	✓	✓	✓	✓	✓	✓
✓		14.10	15	30	86.40	15	3	✓	✓	✓	✓	✓	✓
		11.75 <sup>al</sup>	12.50	12.50	25	10	5	✓	✓	✓	✓	✓	✓
✓		11.75 <sup>al</sup>	17.50	51.50	40	10	5	✓	✓	✓	✓	✓	✓
✓			9.50	9.50	19.00	11.75		✓	✓	✓	✓	✓	✓
			10	10	20	17.63	3.5			✓ <sup>k</sup>	✓		
			9	9	18	15	2.75		✓	✓	✓	✓	✓

c £25 minimum d £5 if limit deal placed successfully e Reduced to £2.50 if you take out Crest personal membership then reduced by £2 g Waived if £2,000 held in trading account h £100 maximum j Internet only k Phone only l Waived if £5,000 held in trading account

## USING THE TABLE

We show the details of 31 dealing services from the 15 stockbrokers for which we have an average or better overall member satisfaction rating, separated according to the level of satisfaction.

We also include the three cheapest dealing services, based on annual cost, from three stockbrokers for which we do not have member satisfaction ratings.

Overall, we analysed the costs of 70 dealing services from the 35 execution-only stockbrokers which responded to our questionnaire.

## Service

**Online/Telephone** We show whether the subsequent details apply to internet or phone services, or both.

## Costs

**Quarterly account fee** Any fee charged for the service.

## £1,000 trade/£6,000 trade

Commission charged for these size deals (not including stamp duty).

**Annual cost** Assuming you make two £2,000 trades a year, including any account fees, and assuming you have £5,000 of stock/cash in your trading account.

## Transfer

**Fee** We've given the fee for each holding that you transfer to another broker.

## Interest

The rate of interest you'd earn on £1,000 held in your broker account.

## Trade in

## OFEX/Gilts/UK corporate bonds

We've denoted those that allow dealing in these markets. All brokers listed allow you to deal in shares listed on the main UK stock market and in the Alternative Investment Market (AIM).

## Orders

## At best/At quote/Stop loss/

**Limit** We've shown which services let you place which types of order.

Data correct at 12 January 2007