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Why it is necessary to read the Key Investor Information Document (KIID) carefully in the event of a dispute about the fees charged on UCITS

The essential features of collective investment funds marketed in Europe are summed up in a document called the Key Investor Information Document (KIID). It should be read as the reference document in the event of a dispute. This is what happened in the case I'll be describing here, to the great advantage of the client who was therefore able to note the bank's error to his detriment.

The facts

On several occasions, Mr X. sold units of a bond fund that he had in his portfolio. He realised that he had been charged exit fees on his disposals, amounting to a total of over €1,500, i.e. more than 2.75% of the redemptions. He noted that the KIID of the UCITS published on the bank's website stated that the bank charged 2.75% of entry fees and 0% exit fees. He immediately sent an email to the branch of his bank to complain.

The branch replied that the redemption fees were stated at the time of the transaction. However, Mr X. replied that actually no fees had been announced during the transaction. The branch then informed him that it was waiting for an answer from the securities department. Mr X. contacted the branch again because he had read the prospectus and the



Key Investor Information Document (KIID) concerning the fund published on the bank's website and they both stipulated that there were no exit fees.

Nearly three months after these emails, after Mr X. had sent several follow-up emails, the bank stated that "as specified in the KIID attached, one-off fees amounting to 2.75% are deducted before or after the investment". Totally flabbergasted by this answer, Mr X. tried to convince the bank for two more months. Fed up, he referred the case to the Ombudsman via the form available on the AMF's website.

Investigation

When I asked the bank to explain the inconsistency between the fees applied and the information in the KIID, it answered that the exit fees, net of the UCITS, had been indeed applied by mistake. It informed me that it had corrected the error after my intervention.

Recommendation

After reading the statement provided, I observed that the bank had settled the situation. I have therefore closed this mediation.

Lessons to be learned

What is unfortunate is the time wasted and the formalities that Mr X. was obliged to undertake to obtain the correction of a glaring error that the bank admitted only when confronted by the Ombudsman and which clearly should have been resolved before I was brought in. At any rate, since the €1,500 have been refunded, I can only remind all stakeholders, and in particular clients who have invested in UCITS, and even their advisors in financial institutions, to stick to the fundamentals when there is a dispute over the fees applied by referring to the KIID.

The KIID is a very short (two or three pages) pre-contractual information document with a standardised European format, and must be given to the investor. It must therefore be easily and directly accessible during the subscription of funds marketable in Europe. It sets out, in a legible and easily understandable manner, the main features of the product and in particular the applicable fees (irrespective of account-keeping fees). To obtain further information, clients may also consult other documents that must be placed at their disposal: the rules and a prospectus if there is one.



If the fund subsequently changes its essential features, such as the introduction of exit fees, the management company should inform the unitholders before it applies the new terms and conditions and offer them the possibility of exiting the fund at no extra cost.

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