

Social investment will be unattractive to retail investors for years, says Bank Workers Charity

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A report produced with Cass Business School and UBS says investors will be put off by lack of liquidity and uncertainty over repayments.

Social investment will remain unattractive to ordinary retail investors for many years due to illiquidity, uncertainty over repayments and the long-term nature of investments, according to a report by the Bank Workers Charity.

The report, *Is Social Investment Working?*, was produced with Cass Business School and investment firm UBS and is based on three round-table discussions with potential investees, intermediaries and investors that took place in January and February 2012. The report looks at problems facing social enterprise, the benefits it brings, and includes recommendations about how to improve the market in future.

It found that new social investments face significant challenges including business planning, legal support and convincing investors about a new type of product. It added that private investors in the new field were likely to remain rare for some time.

"While some charities hoped to raise social investment directly from retail investors in the future, there was general agreement that it was preferable for trusts and foundations to take a lead in the next few years," the report said.

"For now, social investment is unlikely to be attractive to ordinary retail investors, due to the illiquidity and long-term nature of the investment, as well as the uncertainty of repayment."

Another concern for many charities was that a growth in social investment opportunities could lead to donors becoming investors instead, the report said. The key benefits of social investment include a greater ability for charities to scale up and undertake types of work, particularly preventative work, which they have found it difficult to fund in the past.

The BWC, which helps people who work in banking, began gathering information on social investment after the publication last year of the revised Charity Commission investment guidance, CC14, which illustrated that it may be possible for it to invest some of its £45m funds to "meet its objectives in a new way".

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