

Weatherbys: the UK's other family-owned private bank

08:00 GMT , Ian Orton

Wellingborough, Northamptonshire-based Weatherbys may be better known because of its pivotal role in the UK's horseracing and bloodstock sector. But since 1994 it has operated a fully licensed bank which has subsequently spawned a private banking operation. This makes Weatherbys the only other UK-based family that currently owns a private bank.

Moreover, like C.Hoare & Co., Weatherbys has a long heritage. The firm can trace its inception back to 1770 when it embarked on the process of effectively became the handmaiden or "stakeholder" in the emerging British horse racing and bloodstock industry with responsibilities covering the bloodstock book, registrations, the collection and distribution of prize money, race card publishing and so on. Seven generations later the Weatherby family still owns and manages the family business, as well as the bank.

"Our banking activities were a natural outcome of our involvement in the horse racing and bloodstock industry," explained Roger Weatherby, Weatherbys Bank's chief executive to thewealthnet. "Indeed we were almost a quasi-banking organisation from the outset, primarily as a consequence of our pivotal role in distributing prize money to successful horse racing owners. In effect we took in deposits in the form of prizemoney which we then subsequently distributed. Many owners kept money on account with Weatherbys which could be drawn down as when needed.

"This quasi-banking regime persisted until late in the twentieth century when following the introduction of a bank licensing system by the Bank of England, it was suggested that Weatherbys' should become an authorised institution. This occurred in 1994 when we become a fully fledged bank offering a wide range of banking services, such as deposit taking and money transmission services to a diverse client base that often had a horse racing background.

"From the outset we put a considerable onus on service quality and even before the establishment of the private bank this differentiated us from our peers," continued Mr Weatherby. "In addition to always going the extra mile for our customers we put great emphasis on transparency by effectively getting rid of all the small print exclusions and add-ons that are often associated with the banking sector.

Weatherbys' could call on its IT resources to help it achieve this end. "Once again our IT expertise emanates from our experience of operating racing accounts. We have developed this considerably and now have our own IT company that writes programs and systems for other small banks.

In 2006 Weatherbys launched a private banking service. This developed directly from its existing banking and was based on the realisation that there was a latent demand for a private banking service from clients with more than £500,000 to deposit. The new service was targeted at clients with net assets of at least £3 million and/or an annual income of £300,000.

This has grown significantly, especially in the wake of 2008's financial crisis when, as with the case of C. Hoare & Co., Weatherbys' experienced a significant inflow of deposits from clients that suddenly realised that the size of a bank, as expressed in terms of balance sheet size, is not necessarily correlated with security.

"We may be small but we are very capitalised," said Mr Weatherby with Tier 1 capital of 16.5 percent. "We have a very clean balance sheet. We are completely retail-deposit funded and don't lend out more than 50 percent of deposits. We manage the bank on a conservative basis and certainly don't engage in trading.

"We are also not obsessed with growth. This is one of the virtues of not having to satisfy external shareholders. We can grow at our own pace."

Nonetheless the bank has continued to grow. It currently has between 1,000 and 1,500 clients and eight private bankers, most of whom came from other established private banks such as Coutts and Adam & Co. Weatherbys says it has the capacity to grow at a "good pace" but that it is very important to have the right people in place to enable it to do so.

Initially the focus was very much on the provision of a banking service, something that other so-called private banks may have downplayed. Weatherbys offers a range of services in this respect including foreign exchange (FX), cash management facilities, mortgages and secured lending.

Over the past 12 months, however, Weatherbys has expanded its service offering to include financial planning and discretionary asset management. To this end it recruited Simon Tuck from C. Hoare & Co. to develop its wealth and financial planning services and Roddy Buchanan, the former head of wealth management at Ansbacher to develop and oversee a discretionary asset management service.

"We spent a lot of time considering the nature of our discretionary asset management service," said Mr Buchanan. "This included considering third party services. In the end however we decided to develop a discretionary management service ourselves, to provide something that was fit for purpose, rather than just bought off the shelf.

"To this end we worked closely with Asset Risk Consultants (ARC) to come up with a service based around four core-models. These provide a clear perspective on risk and return, are fully transparent and avoid many of the over-complications sometimes associated with other services. We certainly don't use complex products."

Of course it is far too early to ascertain how the service will work in practice. But according to Mr Buchanan on the basis of back-tested results the outlook is propitious.

Given its pivotal role in the British horse racing sector Weatherbys has a considerable positional

advantage that enables it to differentiate itself from its peers, especially when it comes to targeting clients. Virtually everyone that has an involvement in the horse racing and bloodstock sector has to deal with Weatherbys at some stage.

But the bank has started to attract a growing number of clients from outside the sector. This provides proof - if any is needed - that it has definitely has something to offer to discerning clients. The task going forward will be to maintain the family's traditions and reputation.