Tory peer Cruddas plots £800m break-up of financial markets firm CMC

Lord Cruddas, the Conservative peer, is exploring a surprise break-up of CMC Markets, the financial spread-betting firm he founded 32 years ago, into two separately listed companies.

Sky News has learnt that the board of CMC could announce within days that it has begun work on the potential split.

City sources said this weekend that if agreed, the break-up would create a leveraged trading business housing CMC’s spread-betting operations, and a non-leveraged business containing its technology and new investment products platforms.

Both would be quoted on the London Stock Exchange, although only the “legacy” business would be likely to retain the CMC name, according to one source.

One insider suggested that the move could ultimately create hundreds of millions of pounds of value for shareholders – the largest of whom is Lord Cruddas himself, with a 62.5% stake.

The exploration of a break-up of the group is being led at board level by James Richards, CMC’s chairman, in conjunction with its advisers.

The process is at an early stage and may not lead to the split taking place, the insider cautioned.

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If it does go ahead, it would underline a belief said to have been held for some time by Lord Cruddas, CMC's chief executive, that the public markets have consistently undervalued the company and its prospects.

It would also represent a bold move for the former Conservative Party treasurer who was ennobled by Boris Johnson in controversial circumstances last year.

CMC, which is debt-free and has £400m of cash on its balance sheet, began as a player in the financial spread-betting sector, allowing clients to borrow funds to place wagers on financial markets using contracts for difference (CFDs).

It competes with the likes of IG Group and Plus500.

In September, the company issued a profit warning, citing “subdued” market activity in the preceding months which had resulted in lower client trading volumes.

The profit alert sent CMC’s shares crashing by more than 25%.

Leading shareholders were left frustrated by the market’s response, however, given the strong growth being demonstrated by other areas of CMC’s business.

Earlier this year, Lord Cruddas unveiled plans for a UK direct-to-consumer investment platform with the aim of rivalling Hargreaves Lansdown, Interactive Investor and AJ Bell.

Sky News revealed last weekend that abrdn, the FTSE-100 fund manager, was in talks to buy II for about £1.5bn.

CMC’s plan to launch a retail platform in the UK follows a successful partnership in Australia between the company and ANZ, one of the country’s largest banks.

Two months ago, the partnership was replaced by a deal that saw CMC acquiring more than 500,000 of ANZ’s share investing clients, taking the British company’s total assets under administration to about £40bn.

CMC is said to have been approached by a number of other major financial institutions about similar partnership arrangements.

While not of the same scale or complexity as corporate splits announced this week at General Electric, Johnson & Johnson or Japan’s Toshiba, the exploration of a break-up at CMC underlines a re-emerging trend in boardrooms aimed at unlocking value by simplifying their structures.

Any such deal would mark the latest chapter in a long and varied career for the CMC Markets founder.

A prolific donor who has given more than £3.5m to the Tories, Lord Cruddas was one of the founders of Vote Leave and gave the campaign group £1.5m ahead of the 2016 Brexit referendum.

The Electoral Commission disclosed in June that the peer had donated £500,000 to the Conservative Party just days after his ennoblement was confirmed by Boris Johnson.

The prime minister overruled the House of Lords Appointments Commission – which had signalled its opposition to the move – to hand Lord Cruddas a seat in the Lords.

As well as being one of the City's most successful self-made businesspeople, Lord Cruddas is also a major philanthropist, having donated more than £20m to charity through his personal foundation.

In his letter to HoLAC, Mr Johnson said Lord Cruddas's charitable giving was one of the reasons for his decision to overrule the Commission's objection to the ennoblement.

Lord Cruddas served as Tory treasurer until 2012, when his term was brought to an abrupt end by a cash-for-access investigation by The Sunday Times.

The businessman successfully sued the newspaper for libel, although his financial award was later reduced on appeal.

A Court of Appeal judgement found that while aspects of his conduct had been "unacceptable and wrong", it upheld the ruling of libel and malicious falsehood in his favour.

The tycoon was also exonerated by the Electoral Commission.

More recently, however, the newspaper has turned its attention back to Lord Cruddas and other former Tory treasurers who had donated at least £3m to the party and subsequently been awarded peerages.

Shares in CMC, which have fallen by a quarter during the last 12 months, closed on Friday at 261p, up just over 2%.

A CMC spokesperson declined to comment on Saturday.