DRN-3165462

## The complaint

Mr and Ms C have complained that Prydis Wealth Limited invoiced them £1,800 for advice which they've said wasn't suitable for their circumstances, nor truly "independent" or value for money.

## What happened

In February 2020, Mr and Ms C signed a client agreement with Prydis, which said that it would provide a recommendation after assessing their needs, that the advisory firm was owned by "Prydis Limited" – which also held shares in a firm called P1 Investment Management Limited" – and that the initial service would be provided for a minimum report fee of £1,500 plus VAT.

The objectives recorded in a subsequent suitability report dated 18 August 2020 were as follows:

- Enable their children to pursue their desired education without incurring unmanageable debt
- To retire by age 65
- Maximise any surplus income by investing as appropriate in a tax efficient manner.

Prydis recommended that Mr C consolidate two pension plans held with TPT Retirement Solutions and Prudential into one "P1 Intuitive Pension Account (IPA), and that Ms C transfer her single stakeholder plan with Scottish Widows to an IPA as well.

In support of the recommendations, it said that Mr C's pension plans were either too high or too low risk for his "medium high" risk attitude, whereas, although Ms C's stakeholder plan had a similar level of risk to the new plan, she would benefit from active management in the new arrangement.

The existing plans had lower charges than the new plans, but the new plans would be held on a "P1" platform, which provided for other investment vehicles, such as ISAs, to be held as well. They would be managed on a discretionary basis by "P1 Investment Management", within the "P1 Growth Focus" portfolio. This meant that they would be invested across a range of collective investment funds from various product providers.

Mr and Ms C didn't act upon the advice, and after they received the invoice for £1,800 in September 2020, they submitted a letter of complaint in the same month, saying in summary that they didn't believe the Prydis adviser had been truly independent, nor that the advice had been value for money.

They also expressed concern about P1 Investment Management and that the recommended investment options appeared expensive. As such, having not acted upon the advice given, they expressed dissatisfaction with the invoice they'd been sent.

In response, Prydis said that it was an independent financial advisory firm and that research had been conducted across the whole of the market in order to determine the most suitable investment and platform for their pensions and savings.

It said that, although there was a conflict of interest through indirect shareholdings between Prydis and P1 Investment Management Ltd, they were discrete and separately authorised firms and the relationship between them didn't mean that the advice had been unsuitable.

Although P1 may have been a small firm, the research had demonstrated that, in terms of platform costs and other relevant areas, it was the most suitable platform for Mr and Ms C's needs. Nor, it said, was there any concern over its financial stability. It disagreed that the recommendations were too expensive and said that all initial and ongoing costs had been disclosed in the client report.

It concluded that, although Mr and Ms C had decided not to act upon the advice, the adviser had spent a significant amount of time visiting them and researching their options, in addition to then preparing the client report. Mr and Ms C had confirmed that they were prepared to pay the minimum report fee of £1,500 plus VAT even if they didn't proceed with the recommendations.

As such, it said that the invoice would still need to be settled.

Dissatisfied with the outcome, Mr and Ms C referred the complaint to this service.

They elaborated on their complaint points, saying that, although they'd been led to believe that Prydis were an independent advisory firm, the adviser recommended that they invest in an entity which shared the same building and had close ties with Prydis. Mr and Ms C therefore didn't believe that the recommendations could have been given on a truly independent basis, and that there was a potential conflict of interest here.

Mr and Ms C also had concerns about the P1 investment management, as it didn't seem to have strong track record, with accounting losses recorded for the previous two years, and it was a small organisation. This compared poorly to their existing providers, which had a decent track record and level of performance, they said.

The recommended options ended up being very expensive, Mr and Ms C added. Looking at the illustrations provided, they found it difficult to see what added value they'd be obtaining in return for the higher fees they'd be paying, when compared to their existing pension plans.

One of our investigators considered the complaint, and thought that it should be upheld. In summary, he said that although he'd noted the relationship between Prydis and P1, he didn't think that this would necessarily mean that the advice hadn't been truly independent. He thought the available evidence supported the position that Prydis had looked at a range of providers and that the recommended P1 platform was at the lower end of ongoing costs.

But he also looked at the suitability of the advice, and firstly noted that, had the recommendations been implemented, the initial advice charges would have been incorporated into the pension switch transactions. But as they weren't, the invoice had been generated, in accordance with the client agreement.

He said that a switch of pension arrangements should only in general occur if there was a reasonable prospect of the client(s) being better off. He noted that the actual recorded objectives were quite generic, being to retire at 65 and saving in a tax efficient manner. He thought that the existing plans could meet these objectives.

In terms of the exposure to investment risk, he didn't think that the recommended replacement arrangements were much different to the existing ones for Mr C. And it had been acknowledged by the adviser that, certainly in any case for Ms C, this was the case.

But he noted that the costs of the proposed plans were around double those for the existing plan held with TPT, which meant that the recommended policy would need to outperform by around 0.5% pa just to provide the same level of benefits.

He also considered performance issues, saying that if it could be demonstrated that a particular type of investment management had consistently outperformed another, this might indicate potential for enhanced future growth. But he noted that Mr C's existing lower risk plan with Prudential had significantly outperformed the P1 portfolio over a five year period.

The investigator concluded that Mr and Ms C were unlikely to be better off if they accepted the advice and switched to the new portfolio. And he didn't think the consolidation of Mr C's two plans would have been sufficiently important to justify the higher overall charges.

He further said that Ms C's stakeholder plan was modest in value and in general he wouldn't expect there to be a necessity to move to a more complex scheme, involving a platform provider, a plan provider, a discretionary fund manager and various underlying investment fund managers. He noted that the simple objective of investing at medium risk over the long term and with modest charges was already being achieved through Ms C's existing arrangement.

To remedy the situation, the investigator said that he would usually recommend comparing the actual value of the plans against the notional value of the previous plans, had they not been switched. As the advice fee would have been incorporated into the value of the new plans, this would have been factored into this kind of redress proposal as it would have proportionately reduced the new plans' value. But as the advice hadn't been implemented, there was a separate fee which Mr and Ms C were now being asked to pay.

He said that, although Prydis had clearly spent time in providing advice to Mr and Ms C, he didn't think the advice had been suitable and so it was his view that it should waive the £1,800 fee.

Neither party has submitted further comments in response to the investigator's assessment. But as agreement hasn't been reached on the matter, it's been referred to me for review.

**What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've reached broadly the same conclusions as the investigator, and for essentially the same reasons.

I firstly note the concerns that Mr and Ms C may have had about the relationship between Prydis and P1, and I acknowledge that this may fed into their wider doubts about the quality of the advice in general. But as both Prydis and the investigator have said, this wouldn't necessarily mean that a number of other options hadn't been researched. The benefit sometimes of a provider or management service which is "close to home" is that the advising firm is familiar with the operation and the quality of the service being offered. And this can often be an advantage. After all, if clients become dissatisfied with the quality of the service, or any other aspect such as performance, they can switch to a different provider. And if there's a clear association between the advising and management functions, any poor quality in the latter might reflect similarly poorly on the advising firm.

But as with the investigator, I've struggled to appreciate the overall benefit to Mr and Ms C's pension funds as a result of the switches, and so I'm not persuaded that the recommended course of action was suitable for them. I elaborate on this below.

So firstly with regard to Mr and Ms C's respective attitudes to risk, although Mr C's exposure to risk in his existing TPT plan was assessed as being "high", and that within the Prudential plan was "low/medium", any mismatch could have been addressed by simply amending the existing plans' investment strategy.

The client report said that neither the TPT plan nor the Prudential stakeholder plan had much scope for self investment, but I can't see that this is something in which Mr C had a particular interest – nor the experience to successfully implement – and so access to around 2,600 funds for a total plan value of just under £81,000 seems somewhat surplus to requirements. And the lack of intention to self manage is any case borne out by the prospect of the new plan being managed on a discretionary basis.

Similarly, Ms C's stakeholder plan – modest in size as noted by the investigator at just under £16,000 – had access to enough fund options to cater for her "high/medium" risk rating.

Further, none of the existing plans' performance had been particularly at odds with the market sector over the previous five years and, as noted by the investigator, the Prudential plan in particular had comfortably outperformed this.

But it's the area of charges where the comparison between the existing and proposed plans is the least favourable to the latter. The overall total of Mr C's existing plan charges was calculated as being £430, as opposed to the total with the new plans of £1,460. For Ms C, the total for the new plan was £345, as opposed to just under £160 for her existing plan. And although this may have included the ongoing adviser charge, this didn't include the cost of the initial advice, which the new plans would also need to recoup.

I'm not persuaded that the size of Mr and Ms C's pension funds, nor anything concerning their investment experience or risk ratings, meant that they needed a discretionary management service. They may have been keen to maximise fund growth potential, which would of course be a common feature to most if not all investors, but I think overall they would have continued to be well served in that regard by prudent amendment, if and when required, in the risk exposure of their existing plans.

The new plans were described as "low cost" Self Invested Personal Pensions, but I think Mr and Ms C may have quite justifiably regarded the proposed arrangements as not being quite as low cost as was being presented, especially when compared to their existing arrangements. And for the reasons given, I don't think they needed to move to anything which offered a self investment option.

And so it follows that I don't think their decision to reject the recommendations on the basis of concerns around suitability and cost was unreasonable.

**Putting things right**

As set out by the investigator, had the recommendations been accepted and implemented, the advice cost would have been incorporated into the value of the new plans, and if the old plans had demonstrated a higher value in any comparison redress calculation, the compensation would have been proportionately higher.

As they didn’t accept the recommendation, for what I’ve said above are quite understandable reasons, they’ve been presented with a separate fee. Had the recommendations been suitable, but Mr and Ms C had simply decided to not act upon them, I might ordinarily conclude that Prydis should nevertheless be able to invoice them. And as noted by the investigator, a not inconsiderable amount of time and effort may have been spent by the adviser here.

But I don’t think the recommendations were suitable, and so I don’t think it would be fair or reasonable to conclude that Mr and Ms C should need to pay for a service which they’d quite understandably concluded had significant potential to leave them in an overall financially disadvantageous position.

Therefore, as with the investigator, my view is that Prydis should waive the advice fee.

## My final decision

My decision is that I uphold the complaint and that Prydis Wealth Limited should waive its advice fee.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms C and Mr C to accept or reject my decision before 22 August 2022.

Philip Miller
**Ombudsman**