DRN-3387493

The complaint

Mr W complains about the service he's received from Quilter Financial Services Ltd. He's unhappy with the lack of rebalancing of his portfolio and with errors made when processing quarterly income payments. To put things right he'd like full compensation for the errors, any lost growth, the distress and inconvenience of dealing with the errors and also the cost of moving to a new adviser.

What happened

The facts of the complaint are well known to both parties, so I won't go over them in great detail, but the key facts are as follows:

- Quilter wrote to Mr W in July 2020 and explained that they'd found discrepancies within his General Investment Account (GIA) portfolio for the 2019/20 tax year

- They'd found that the portfolio construction had been disrupted when a withdrawal had been processed on 1 May 2019 which resulted in the funds within the portfolio not being totally aligned to the portfolio design

- The error wasn't fully rectified until 13 November 2019

- They also explained that they'd made errors in selling investments from the portfolio to facilitate quarterly payments of £7,500. They said that they'd made the payments in March and May 2020 instead of April and July 2020

- They apologised and accepted liability for the errors and compared the performance of the portfolio between 30 April and 13 November 2019 to a model portfolio on FE Analytics - the FFP4 model. They found that the FFP4 model had performed better than his portfolio by 1.78% so they offered to pay him the difference

- They also offered compensation for the error with the quarterly payments. They did this by using a benchmark – the FTSE UK Private Investor Income Index – to calculate what the portfolio would have been worth if the error hadn't occurred

- They also offered a payment of £400 for the distress and inconvenience they'd caused him and gave him referral rights to this service

- There was a further error with the quarterly payment for October 2020 – it was made in June instead of October (it was subsequently reinvested in September). Quilter offered Mr W redress based on the method they'd used for the previous errors with the quarterly payments and also £150 for the further distress and inconvenience they'd caused

- Mr W subsequently asked us to look into the complaint due to the ongoing errors.

- It was considered by one of our investigators who thought the complaint should be upheld and that redress should be calculated as follows –

  - For the errors regarding the portfolio construction she thought the performance of the portfolio should be compared to the performance of a benchmark – the FTSE UK Private Investors Income Total Return Index – and compensation paid if applicable

  - For errors regarding the first two early withdrawals (quarterly payments for April and July 2020), Quilter should determine which funds were encashed early and how many units of each fund would have been sold to generate the payment of £7,500. They should then calculate how many units would have been sold if the funds had been sold down at the correct date. If it showed that Mr W had been disadvantaged then Quilter should pay compensation of what the surplus units would have been worth at the date the funds were encashed when the GIA was closed (taking into account any redress payments already made)

  - For the error with the third early withdrawal (quarterly payment for October 2020) she thought Quilter should determine which funds were encashed early to generate the £7,500 and compare this to the value those units would have had when the funds were reinvested. Mr W should then be compensated if there was any difference between the two figures

  - She thought the amounts of £400 and £150 offered for distress and inconvenience caused were fair and reasonable

- Mr W partially agreed with the redress that had been suggested but also thought he should be compensated for fees he'd incurred when he'd moved his portfolio to another adviser due to Quilter's many errors.

- The investigator wasn't minded to change her opinion so the complaint has been passed to me to make a decision.

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.

I've firstly considered the issue with the portfolio construction between April and November 2019. Quilter have accepted that they've made an error, so I don't need to make a finding about that particular point. Instead, my role is to consider if the offer of redress is fair and reasonable.

Quilter have accepted that Mr W's portfolio wasn't set up correctly between 30 April and 13 November 2019. In order to put things right, Quilter should try to put Mr W as close to the position he would probably now be in if the portfolio had been set up correctly. The redress that has been proposed compares the performance of his portfolio over the period it wasn't set up correctly to the performance of a suitable benchmark over the same period. I'm satisfied that this is fair and reasonable.

I've then considered the issue with the quarterly payments that were made early. Again, Quilter have accepted that they were at fault, so I've considered if the redress offered is fair and reasonable.

The redress that has been proposed is to determine if the units that were encashed early would have been worth more if they'd remained invested until when they should have actually been sold. I think this method of redress is fair and reasonable as it ensures that Mr

W hasn’t lost out on any potential growth he would have seen if the units hadn’t been encashed early.

I’ve also considered the compensation that’s been offered for the distress and inconvenience that Mr W has suffered. From what I’ve seen Quilter have made a number of errors which have impacted him, including repeated errors with the quarterly payments. Taking everything into account, I think the payments of £400 and £150 which they’ve offered as compensation are broadly in line with what I would have awarded, and I don’t think any further award is required.

The main issue of disagreement seems to be around whether Quilter should compensate Mr W for the fees he’s incurred in moving away from them. I take the points he’s made about the poor service he’s received since Quilter took over the management of the portfolio and why this made it necessary for him to move away from them.

While I can award compensation for the distress and inconvenience caused by Quilter’s failings, I don’t think this should extend to covering the costs of setting up accounts with a new provider. This isn’t a cost Mr W had to incur as a result of Quilter’s errors, instead it was a result of his choice to cut ties with them. And while I can understand his reasons for doing so, I don’t think I can fairly ask Quilter to compensate him for this.

Putting things right

Redress for errors with portfolio construction

Fair compensation

In assessing what would be fair compensation, I consider that my aim should be to put Mr W as close to the position he would probably now be in if he had not been given unsuitable advice.

I take the view that Mr W would have invested differently. It is not possible to say *precisely* what he would have done differently. But I am satisfied that what I have set out below is fair and reasonable given Mr W's circumstances and objectives when he invested.

What must Quilter do?

To compensate Mr W fairly, Quilter must:

- Compare the performance of Mr W's investment with that of the benchmark shown below and pay the difference between the *fair value* and the *actual value* of the investments. If the *actual value* is greater than the *fair value*, no compensation is payable.

- Quilter should also pay interest as set out below.

Income tax may be payable on any interest awarded.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
General Investment Account	No longer in force	FTSE UK Private Investors Income Total Return Index	30 April 2020	13 November 2020	8% simple per year on any loss from the end date to the date of settlement

Actual value

This means the actual amount paid from the investment at the end date.

Fair value

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

Why is this remedy suitable?

I have decided on this method of compensation because:

- Mr W wanted Capital growth and was willing to accept some investment risk.
- The FTSE UK Private Investors Income total return index (prior to 1 March 2017, the FTSE WMA Stock Market Income total return index) is a mix of diversified indices representing different asset classes, mainly UK equities and government bonds. It would be a fair measure for someone who was prepared to take some risk to get a higher return.
- Although it is called income index, the mix and diversification provided within the index is close enough to allow me to use it as a reasonable measure of comparison given Mr W's circumstances and risk attitude.

Redress for errors with the quarterly payments

The first two quarterly payments – March and May 2020

To compensate Mr W fairly, Quilter must:

- A - Determine the units that were encashed early to generate £7,500 on each of the first two occasions – 26 March and 13 May 2020
- B - Determine how many units would have been sold to generate £7,500 if processed on the correct date - 9 April 2020 and 9 July 2020
- Compare A to B. If this shows that more units were sold because of the early encashment then Quilter should pay Mr W the value that the surplus units would have had at the date when his General Investment Account was closed (less the redress payments already made)

The third quarterly payment – June 2020

To compensate Mr W fairly, Quilter must:

- A - Determine the units that were encashed early to generate £7,500 on 29 June 2020
- B - Determine the value those units would have had when the funds were eventually reinvested
- Compare A to B. If this shows that the value of the units would have been higher when they were reinvested, then Quilter should pay Mr W the difference in value (less the redress payments already made)

Quilter should also pay Mr W £600 (£450 + £150) for the distress and inconvenience they've caused him (if they haven't done so already).

My final decision

For the reasons I've given above, I think this complaint should be partially upheld. Quilter Financial Services Ltd should pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 26 July 2022.

Marc Purnell
Ombudsman