DRN-3821859

The complaint

Mr N has complained about several issues regard FIL Investments International's (Fidelity) managing of his Discretionary Portfolio Management service (DPM).

What happened

Mr N says he invested independently in various funds and assets for over thirty years. For a significant period of time, he has done so using the Fidelity platform as a direct client.

Mr N spoke with an adviser from Fidelity in November 2021. Following this, he was advised to invest into a Fidelity portfolio, within a discretionary management service. Mr N invested approximately £355,000 into this in January 2022.

Following concerns regarding the performance of the investment and management of the portfolio, Mr N complained to Fidelity. Amongst his complaint issues, he said:

- The advice given to him was unsuitable,
- Fidelity have 'churned' his investments within the portfolio,
- Several service issues including change of advisers, not informing him of advice restrictions and pressurising him into taking the investments out.

Fidelity responded to Mr N in August 2022. They said the advice they had given and investment decisions they had made, had been suitable. They also attempted to explain and justify the interactions and service Mr N experienced.

Mr N remained unhappy and brought his complaint to our service for an independent review. Our investigator looked into it. She provided a thorough and detailed response to Mr N. Amongst several conclusions, she said that the advice had been suitable and didn't believe there had been any 'churning'. She also didn't believe there had been any undue pressure on Mr N to make the investment and was satisfied with the explanation given by Fidelity regarding the change of advisers. However, she felt there had been errors in communications which had impacted Mr N, and suggested they pay him £250 for this.

Fidelity agreed to this. Mr N initially accepted this but after further consideration didn't agree. He said he still believed that his investments had been churned and was unhappy with the ongoing service he was receiving.

As no agreement was reached, the case has been passed to me to reach 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.

Many points have been made in relation to this complaint – I haven't addressed each one individually. Instead, I've focused on what I consider to be the pertinent points. That isn't meant as a discourtesy, it simply reflects the informal nature of our Service. I've set out the key issues I think are important here. And I've answered them below in turn.

<u>Suitability of the original advice</u>

As Fidelity were giving advice in 2021, they had certain obligations towards Mr N. This included making a suitable recommendation, based on his circumstances, objectives, investment experience and attitude to risk. The information supplied by Fidelity about their recommendation needed to be clear, fair and not misleading in order for Mr N to make an informed decision.

I've looked at what I know about Mr N's overall financial situation when he received this advice. In addition to what the parties have told me, I think it's reasonable for me to rely on information in the 'fact find' document and other point of sale documents.

At the time of the advice, Mr N's circumstances were that he was 78 years old, retired and married with no financial dependents. He had no recorded liabilities and received a monthly income of approximately £1,800. He already had invested approximately £355,000 in a range of individual savings accounts (ISA). He was recorded as looking for longer term growth for additional security in retirement. He was also recorded as valuing ongoing reviews and the expertise of the adviser.

Mr N was recommended to transfer approximately £355,000 from ISAs into the DPM. This left him with approximately £100,000 as a cash reserve and £100,000 in other investments such as bonds.

Mr N completed a risk tolerance questionnaire as part of the fact find. Based on the answers he gave, he was recorded as having a higher risk level four, attitude to risk. However, Fidelity have provided a subsequent phone call that they had with Mr N where they encouraged him to take less risk with this investment at the beginning, and they could subsequently review it as part of the DPM service.

Mr N was then recommended to invest into "portfolio 3" within the DPM. This had a large percentage invested in fixed income instruments and is said to be a lower risk strategy and growth focused. Considering Mr N's circumstances at the time and his objectives, I think this was a more suitable recommendation than to follow the answers from the risk profile questionnaire.

Overall, I think the DPM investment recommendation was suitable for Mr N. It matched his recorded needs of longer-term growth and the use of expertise. I also think it was suitable considering his circumstances and attitude to risk at the time.

Mr N has also said that he was pressurised into making this investment. Whilst I appreciate that there were several calls and meetings, having listened to these and read the documentation provided from the point of sale, I don't believe that was the case. I am satisfied that this was part of Fidelity providing the sales service and I haven't seen enough to conclude Mr N was pressurised into this investment.

<u>Management of the investment</u>

I am sorry to hear that at the time of this complaint, the value of Mr N's investment had fallen significantly. I understand this will have been very concerning for him however, as we've explained previously, the subjective performance of an investment, isn't something I can comment on.

I agree with the investigator that there seems to be some confusion with Mr N and what he has invested into. Mr N is invested into one of seven portfolios that Fidelity offered, within the DPM service, at the time of the advice. That means the portfolio is set up and managed to a certain objective and a specific risk profile. The whole portfolio is then managed by a team of researchers and portfolio managers and they make decisions regarding the underlying investments and assets.

Mr N has made comments regarding the exposure of the portfolio to too many fixed income instruments and also not being switched into cash at an earlier point of market volatility in 2022. However, this is at the discretion of the managers and they are exercising use of their professional and commercial judgement. I think this was made clear enough to Mr N in the documentation he was provided with at the point of sale, which says *"the investment team at Fidelity Solutions and Multi Asset actively manage the discretionary portfolio range, by adjusting exposures incrementally in response to changing market conditions".*

It also said *"Portfolios are invested according to a target fund-weighting with a view to longer term volatility measures as prescribed by the portfolio management team. These may change from time to time and when they do the portfolio will be adjusted to invest in accordance with the updated weighting. Additionally, market price movements may mean the fund weightings drift from the target, so in order to correct these imbalances your portfolio will be rebalanced on a monthly basis".*

Mr N has also queried statements and transaction summaries he received regarding his DPM portfolio. Mr N has asked why such switches were made and why the transactions look like he requested them. This was rebalancing by the portfolio managers, in line with the statement above. Mr N has asked whether this is fee generating and examples of churning, but I hope I have explained why it isn't. It is a rebalance between Fidelity funds and assets within the portfolio.

There has clearly been confusion for Mr N in terms of how the investment worked. Having listened to calls between Mr N and his advisors and having read correspondence, I can't see this was made clear. Whilst I appreciate it was explained in the initial paperwork, Fidelity should have realised that Mr N needed a further explanation and I agree with the investigator that this has had some impact and inconvenience to him and he should be compensated.

<u>Service including change of advisers</u>

As part of Mr N's investment, he gets access to Fidelity's wealth management advice service. I think there has also been confusion here as to what this meant Mr N was entitled to.

This gave Mr N access to a team of advisers, who Mr N could contact with queries and concerns. They would carry out tasks such as an annual financial review of Mr N's investments and recommend whether he should move such investments such as his DPM portfolio 3. Mr N paid a fee for this service and I have been provided with a copy of the terms of business for this that Mr N received and signed in December 2021.

Having reviewed this, I think the documentation makes clear that the advisors are not independent financial advisers, as Mr N has complained he thought they were. It explains they were restricted to advising only on Fidelity products.

I think the documentation also makes clear that Mr N would be serviced by a team and not a specific adviser. Whilst I can see that Fidelity have tried to make sure that Mr N only deals with one person, this has often for a range of reasons not been possible. Mr N has complained about this and the impact it had on him, obviously concerned that his investments weren't getting the attention that they required. However, there was no guarantee of a specific adviser in the terms of business which Mr N confirmed he read.

Despite this, I do think Fidelity have not clarified their DPM and wealth management service to Mr N at key times. Having reviewed correspondence, there were clear opportunities to do so. I understand that Mr N has therefore decided to take his business elsewhere, which he is entitled to do. But I also agree with the investigator that Fidelity should compensate Mr N for the confusion. I think that the £250 that Fidelity have agreed to pay is fair in the circumstances.

In summary, I think the advice given by Fidelity to Mr N, to invest into the DPM service was suitable. Whilst I can't consider a complaint regarding poor performance, I think they have taken reasonable steps in managing the investment. However, I agree that there have been miscommunications with Mr N and £250 is a reasonable settlement considering the impact this had on him.

My final decision

My final decision, for the reasons set out above, is that FIL Investments International should pay Mr N £250 if they haven't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 26 January 2024.

Yoni Smith
Ombudsman