

## The complaint

In summary, X has complained about the charges applied by St James's Place Wealth Management Plc, (SJP) to his pension and ISA portfolios. He is also concerned about the reduction in value on a cash account that had been with a third party. He says advisor fees were paid to SJP.

## What happened

In June 2013 X met with one of SJP's partners. They recommended X transfer some of his existing pensions into its Retirement Plan (RP) pension. The suitability letter set out that SJP funds would need to outperform X's existing pensions by just over 1% a year in the future to match the estimated benefits from his existing plans, at his selected retirement age. It went on to record there was no guarantee the outperformance would occur. In order to compensate for this, the partner proposed arranging enhanced terms for the transfers, which would reduce the outperformance needed to 1% a year to match his existing plan at retirement.

The suitability letter also set out a product comparison of costs and charges. This set out that there was an annual management charge (AMC) of 1.25% a year for the SJP pension. There were also external fund management charges of between 0.10% and 1.00% a year. A transfer illustration was produced in July 2013. This set out that there was an AMC of 0.99% a year for single contributions and transfer values. It also set out the charges for the individual funds recommended, that ranged from 0.19% a year to 1.03% a year. It also recorded that all charges could reduce growth from 5.7% to 4.0% a year, a reduction in potential growth of 1.7% a year.

SJP also produced a copy of the RP key features document. This summarised the charges that applied to the plan, which were an AMC of 1.25% together with costs for managing and maintaining the investments, which varied from fund to fund.

In 2014 a transfer of another of X's pensions was recommended by SJP. The suitability letter said that special terms had been arranged to reduce the initial advice charge. The suitability letter also set out a product comparison of costs and charges. This set out that there was an AMC of 1.00% a year for the SJP pension. There were also external fund management charges of between 0.10% and 1.00% a year.

A transfer illustration was produced in April 2014. This set out that all charges could reduce growth from 2.5% to 0.8% a year, a reduction of 1.7% a year.

In May 2014 SJP recommended X make a single contribution of £20,000 into his RP. The letter referred to other documentation including an illustration and key facts document. This set out that there was an AMC of 1.25% a year for the SJP pension. And it recorded out that all charges could reduce growth from 2.5% to 0.6% a year, a reduction of 1.9% a year.

In March 2015 SJP wrote to X. It referred to a meeting a few days before between X and SJP's partner. A recommendation was made that X invest in its Individual Savings Account (ISA). The letter referred to a *"Key facts about our service and costs"* document being

provided to X at an earlier meeting. And it also referred to other essential information about the effect of charges on the investment which had been left with X which should be read in conjunction with the letter.

The illustration produced by SJP prior to the meeting, set out the investment recommendations for a lump sum contribution of £15,000. It also explained how charges and expenses might affect the investment. It explained that the annual charges were 1.5% apart from a number of trusts that had a lower or higher annual charge. Details of those were set out on the illustration. It explained that the effect of charges was the same as bringing investment growth down from an assumed rate of 5% a year to 2.7% a year. It also explained the cost of the initial advice and ongoing advice was paid for out of the overall charges levied on the investment and was included in the illustration.

In May 2017 SJP recommended X transfer an ISA with another provider into his SJP ISA. The suitability report recorded that there were higher charges for the SJP ISA. And in order to reduce the impact of charges a reduction in the initial advice charge had been arranged. The illustration that was produced showed a schedule of ongoing charges for a range of funds that ranged from 1.25% a year to 2.01% a year. It also showed an initial charge of 3.00%. The illustration showed that the effect of charges would reduce growth from an assumed growth rate of 4.7% a year to 2.6% a year – a reduction of 2.1% a year.

In March 2020 X contacted his partner regarding an initial fee he had been charged on an investment into his ISA. This led him to query the charges that he was paying on his ISA and pension investments. His partner said that his ongoing charges were 1.5% for his ISA portfolio and 1% for his pension portfolio.

X's partner left SJP in November 2020. In February 2021, X's new financial adviser raised concerns on his behalf about the charges that had been applied to his investments. SJP's response in April 2021, explained that enhanced terms had been agreed and applied to the pension transfers that had been made into the RP. That wasn't the case for the single contributions. And it had found no evidence that a flat rate of 1% would be charged for each contribution into the RP. It offered X £250 in respect of the delays in responding to him.

X was dissatisfied with SJP's response. He provided it with his own calculations and copy correspondence between him and the partner who had advised him, from March 2020. This described the ongoing charges for his pension portfolio as being 1% a year and 1.5% a year for his ISA portfolio.

SJP responded in June 2021. It explained that its actuaries had comparison calculations assuming a flat 1% AMC throughout the term. This gave a difference of £2,058.90. It said it couldn't provide an exact calculation of how the absence of external management charges would have affected the values. It went on to say that this was something that wouldn't have been agreed at the outset due to the purpose of the charge. It also said that the partner had said that total AMC costs had only been discussed and had disclosed that other associated costs would be borne by his investments. It reiterated that information referred to in its initial response would have been provided to him, for each and subsequent contribution made. As a gesture of goodwill, it was prepared to make a revised offer of £2,058.90. And it also agreed to reduce his AMC to a flat rate of 1% a year moving forward, backdated to November 2020.

X remained dissatisfied and provided details of his calculations which set out what he considered his losses to be. SJP wrote to him again. It repeated that it didn't think a loss had taken place. Due to the extended period the complaint had run, it was prepared to increase the award for trouble and upset to £1,000. Its total revised offer was £3,058.90.

Our investigator looked into X's concerns. He explained why he didn't think SJP had done anything wrong. In response, X explained why he thought SJP were in breach of its responsibility to him. He also said that no allowance in respect of charges had been made in respect of his ISA portfolio, and that its readjustment of his AMC only dated back to November 2020.

X didn't think the investigator had investigated all of his concerns. The investigator requested further information from SJP and X. He reviewed the information provided and issued a fresh assessment. He explained that the key features documentation set out the AMC. And the ISA illustrations also set out the charges. In summary he didn't think SJP had failed to disclose in writing the charges in respect of his pension and ISA portfolios. He went on to explain that he didn't think the complaint about his cash account fell to SJP to answer. In response X explained why he disagreed with what the investigator had said. He said that despite him being repeatedly incorrectly reassured by his financial adviser that he was being charged 1% for his pension account and 1.5% for his ISA account, his complaint was invalid due to the documentation he was provided with.

His former SJP partner had been receiving adviser fees for from that account. He believed he should have been correctly advised in relation to that account. And he considered the advisor was responsible for the mismanagement of that account.

He also believed that SJP had been charging him an AMC greater than it had stated in relation to his pension and ISA investments. He believed SJP had acknowledged this but had only backdated the adjustment to when the partner had left SJP in November 2020. He didn't think the investigator had carried out the further calculation he said he would to the beginning of his dealings with SJP.

The complaint was passed to me to review. I asked SJP to provide further information about X's investments and the information it had provided him in respect of its charges. I issued a provisional decision on 3 January 2023. I explained why I was satisfied that the charges in respect of X's RP and ISA in this case, were explained to him through the documents and information provided to him over a number of years.

X replied. In summary, he explained why he was disappointed that that I had not made an additional award to him over and above what had already been offered. He also said the offer it had made only compensated his fund from the date his adviser left in November 2020. And he said the offer took no account of the losses on his ISA account. He also commented that I had separated SJP from his adviser with regard to his cash account.

In its response, SJP apologised for not having responded sooner. It confirmed that the offer it had made to X remained open if he wanted to accept it.

### **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 remain of the same opinion that I set out in my provisional decision. I've explained my reasoning below.

In reaching my findings, I haven't commented on every point of concern X has raised. I don't intend to offend him by not doing so or mean any disrespect to him in taking this approach. Instead, I've focussed on the key issues I think I need to consider, in deciding on whether or not SJP did anything wrong in applying the charges it has to his investments. And I haven't

considered the suitability of the advice provided to X. My investigation has only looked into X's concerns about the charges that were applied to his RP and ISA, and his concerns about his third-party cash account.

It's clear to me that X feels very strongly that he has been misled about the charges that would be applied to the RP and ISA he has with SJP. And in addition to what he's said he was told by SJP's partner, he's also referred to other evidence including the e-mail from the partner in March 2020 indicating that ongoing charges would be 1.5% for his ISA and 1% for his pension.

But I need to consider all of the information he was provided with together, and not in isolation. When X made the pension transfers in 2013 and 2014, SJP set out its recommendations in suitability reports. These reports do record that enhanced terms had been applied to the transfers in order to reduce the level of growth required to match the costs of the plans being transferred. This was done by reducing the standard AMC applied to the plan by SJP, which reduced the annualised average additional costs of transferring to SJP. But the appendix attached to the 2013 suitability letter also set out that external management charges would apply. So, whilst X is correct to say there was an agreement in respect of charges, it doesn't appear to have been on the basis he recalls or says he was told.

SJP also provided documentation that set out the charges that would be applied to his RP. And the illustrations from the time of both transfers indicated that the cost of all charges applied to the transfers would reduce the assumed growth by 1.7% a year. So, I'm satisfied that at the time these transfers were made the documentation showed an effective charge of greater than the 1% X thinks he was led to believe would be applied.

The suitability letter for the single contribution made in 2014, makes no mention of enhanced terms. And the illustration for the contribution shows that all charges could reduce growth by 1.9% a year.

It seems to me that if X was expecting an ongoing charge of 1% a year on his RP, then the documentation he was supplied with when the initial transfers and contribution were made; show that the charges would be higher than he was expecting. Although enhanced terms were agreed for the transfers into the RP, I've not seen any evidence of a similar agreement in respect of the single premium contributions that were made into the pension. And in those circumstances, I think X would have questioned his SJP partner, if the charges were more than he was expecting.

I've also considered the documentation X was provided with in respect of his ISA, that would have given him information about the charges being applied to it. As I've summarised above, X set up his ISA with SJP in 2015. And the documentation provided with the suitability letter, explained the charges that would apply to that investment. In particular the illustration explained how charges and expenses might affect the investment. It said that the annual charges were 1.5% apart from a number of trusts that had a lower or higher annual charge. Details of those were set out on the illustration. The table explained the effect of charges and expenses, also that the effect of charges was the same as bringing investment growth down from an assumed rate of 5% a year to 2.7% a year. It also explained that there was a bid offer spread on contributions which was an effective charge on contributions of 5%, which incorporated all initial charges.

When X made the transfer of his ISA held with a third party into his SJP ISA in 2017, SJP set out its recommendations in a suitability report. The report recommended that X transfer the ISA he had with the third-party into his existing ISA with SJP. The report recorded that one of the potential disadvantages of transferring into his SJP ISA was higher charges. The report

went on to record that special terms had been arranged to reduce the initial advice charge payable with SJP. After applying those terms, the total additional growth required by his SJP ISA to match the funds in his existing ISA was 0.34% a year. An appendix to the suitability report set out a product comparison. This explained that there was a bid offer spread of 3% and an AMC of between 1.115% to 2.29% a year.

Although X is correct to say there was an agreement in respect of charges for his ISA investments, it doesn't appear to me to have been on the basis he says he was told. I'm satisfied that as with his pension transfers, SJP decreased the initial costs in order to reduce the impact of SJPs charging structure in comparison to the charges that applied to the ISA that was being transferred. And in my experience, it isn't unusual for a financial business to sometimes give up initial costs/fees, in order to make a transfer of an investment more competitive from a charging perspective.

X also received annual reports. These provided an overview of his investments and provided details in respect of the charges that applied to the ISA. For example, the report from 2018 sets out the annual charges and fund transaction costs that had been paid in the last year in both numerical and percentage terms. And this shows that the annual percentage investment value of those combined costs and charges was 1.94% a year. Information in a similar format was also provided in the 2019 report.

I've also thought about the e-mail sent by SJP's partner to X in March 2020. And I don't disagree with X that the information in it, says ongoing charges were 1.5% a year for the ISA portfolio and the pension charge was reduced from the standard 1.5% for the RP. And SJP also accepts that the charges weren't correctly represented to X in that correspondence. And it has made a goodwill offer to X in recognition of the mistake made in that correspondence.

I still think that is an appropriate offer for it to have made. But that doesn't mean the charges for both products were misrepresented to X in the round; taking into account the other information he was provided with. Or that in the context of it being a goodwill offer, that it necessarily needs to make an additional offer in respect of X's ISA.

It seems to me that the exchanges of correspondence between X and his SJP partner in March 2020, were the trigger for X to question the charges that had been applied to his investments. But as I've already said above the statement made by the partner in his response to X, can't in my opinion be considered in isolation from the other available evidence. And as I've set out in my findings above, that statement is inconsistent with the other information X has been provided with in respect of the charges that have been applied to his investments over a number of years. It seems to me more likely than not having regard to all of the evidence together, that the partner made a mistake or was careless in the way he described the ongoing charges, when he responded to X's enquiry.

I say that because the other evidence that I've referred to simply doesn't support the statement the adviser made. And I can't safely conclude that there was an agreement in respect of charges along the lines that X says there was when I consider all of the evidence together. And in respect of the RP, what the adviser said was partly accurate in that the pension ongoing charge had been reduced, but only in respect of the pension transfers. Also, it seems logical to me that if enhanced terms hadn't been applied to the single contributions, then this would affect the overall level of charges applied to the RP, even though enhanced terms had been applied to the transfers.

I do understand X is very clear on what he recalls being agreed in respect of charges. But as I've summarised above, and on balance, I'm satisfied that the charges in respect of the RP and ISA in this case were explained to X through the documents and information provided to him over a number of years. Although X seems to think I have relied on the literature over

and above what he says he was told, that isn't the case. All the documentation he received is evidence that I have to consider, in conjunction with his own submissions. I do also think it is important for documentation to be read. And I think the weight of evidence I have persuades me that X should have been aware of the charges that were applied to his RP and ISA.

X has also raised concerns about a cash account that he had with a third-party provider. And he holds SJP responsible for what has happened to the cash held in that account. It does appear that this account was under the control of X's SJP adviser. But the evidence I've seen doesn't indicate that SJP is responsible for what has happened in respect of that account.

I say that because prior to X raising his concerns to SJP about the third-party account in 2021, he had been written to in 2019 by a third-party business (that I will refer to as P). The letter informed him that P was his financial adviser for non SJP products. And it said it was writing to provide an update to recent changes in financial services regulations which required it to disclose costs and charges information in relation to his non SJP policies or plans. A similar letter was sent to X in 2020 by P.

And in June 2021 after X raised his concerns about the third-party account, P wrote to X to respond to the concerns he had raised. It explained that from 2012 after his adviser became a partner of SJP, it had been responsible for any policies/plans that weren't with SJP. It went on to explain that X's SJP partner could provide any information on his non SJP policies or plans, but not advice. If advice was needed on non SJP policies, his SJP partner could refer him to P for the provision of that advice. It didn't uphold X's complaint as it was satisfied that it had provided a service and information in relation to his policies.

All of this information leads me to conclude that P was responsible for X's non SJP policies. The common denominator between P and SJP was the SJP partner, who in effect wore two hats. One as X's adviser in respect of his policies with SJP, and the other as the provider of information in respect of X's non SJP policies that P was responsible for. I can understand that from X's perspective he saw his SJP partner as responsible for all of his policies. But as I've explained I'm satisfied from the information provided to me, that P was responsible for any non SJP policies that X had, including the cash account.

### **My final decision**

St James's Place Wealth Management Plc has already made an offer to pay £3,058.90 to settle the complaint. It has confirmed the offer is still open for acceptance. I think this offer is fair in all the circumstances.

So, my final decision is that St James's Place Wealth Management Plc should pay X £3,058.90, if he accepts my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 7 March 2023.

Simon Dibble  
**Ombudsman**