

The complaint

Mr L complains that Absolute Return Investment Advisers (ARIA) Limited trading as ARIA Capital Management failed to manage his investments appropriately.

What happened

In October 2018, Mr L was advised by his financial adviser to invest £85,000 into ARIA's All Terrain Portfolio ("ATP") Balanced portfolio.

Mr L redeemed his investment in December 2022 and received back just over £52,000. Mr L was unhappy with the performance of his investment and felt that ARIA had mismanaged this. And so he raised a complaint with ARIA.

ARIA looked into Mr L's concerns but didn't think it had acted unfairly. In summary, it said:

- It was Mr L's financial adviser's responsibility to periodically assess his suitability and advise ARIA, in writing, of any changes. Mr L's adviser assessed his suitability and decided that the ATP Balanced portfolio was suitable.
- ARIA has managed his investment according to the ATP Balanced portfolio strategy, with investments of 55-65% in risk assets spread across in-house building block funds.
- The performance of the ATP Balanced portfolio has been heavily impacted by its performance during COVID.
- It has been agreed that in light with the strategy's failure during COVID, ARIA would refund all management fees within the fund for the period.
- Mr L has redeemed his investment three years prior to the initial seven year recommended period and the timing of this has severely impacted the performance of his investment. This was due to recovery not yet being realised, as well as him having to pay a redemption penalty.

Mr L remained unhappy with ARIA's response and so he referred his complaint to this service for an independent review.

One of our investigators considered Mr L's complaint but didn't uphold it. In summary, they said:

- They agreed that it was Mr L's financial adviser's role to ensure his investment was suitable for his circumstances and investments objectives throughout the term of the investment – not ARIA's.
- Mr L's portfolio suffered relatively high levels of volatility which resulted in the loss, but they didn't think ARIA was at fault as ARIA maintained the asset allocation in line with the prescribed portfolio strategy.

Mr L didn't accept the investigator's findings. In summary, he said:

- Whilst he accepted the advice from his financial advisor to invest in ARIA, they were not responsible for the management of his portfolio.
- ARIA has clearly acted negligently focusing predominantly on corporate business and taking its eye off private personal portfolios.
- It is for this reason that ARIA made a justified commitment to inject a large cash amount into the fund to address significant losses, which did not materialise.
- ARIA's willingness to refund management fees was unprecedented and a clear admission of failing to fulfil its business responsibilities.

As no agreement could be reached, the complaint has been passed to me to decide.

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 hope Mr L won't take it as a discourtesy that I won't be responding to each submission or every point he's raised. The purpose of my decision isn't to do that, but rather to explain my findings on the key issues. ARIA didn't provide Mr L with any investment advice, so it wouldn't be appropriate for me to consider whether the investment was suitable for Mr L. So instead, my decision will focus solely on whether ARIA has managed his investment in line with how it said it would.

ARIA has provided the ATP Strategy brochure that would have been provided to Mr L's financial advisor. This explained that:

"The All Terrain Portfolio Strategy invests into one of six risk profiled portfolio strategies, to provide a cost effective absolute return solution for sums which are for a minimum portfolio account size of £25,000. Each portfolio strategy, invests a range of our 'in house building block funds'. Each underlying fund has a cash plus benchmark, meaning overall the investment portfolio strategies target absolute returns, over a full market cycle, having combined the building blocks in different proportions to match your investment portfolio."

Mr L decided to invest in the ATP Balanced portfolio. ARIA described the strategy as:

"Suitable for investors who are seeking longer term growth potential with at least a medium term time horizon and who are prepared to accept a moderate level of volatility of returns as the price for potential growth. This strategy is designed to balance risk and reward and is appropriate for investors looking for higher returns than those available from a high street deposit account and willing to accept a certain amount of fluctuation in the value of their investments as a result. Investors in this strategy would feel uncomfortable if their investments were to fall significantly in value in any one year. The strategy will maintain a broad spread of assets, but with a greater emphasis on equities."

An example asset allocation was provided which explained that the ATP Balanced portfolio would be invested in the following funds (which could vary):

- 20% - Alternative Income
- 25% - Diversified Alternative Assets
- 25% - Global Equity Absolute Return
- 10% - Global Equity Leaders
- 15% - Global Macro
- 5% - Cash

ARIA has provided a snapshot of Mr L's asset allocation from each year he was invested and having reviewed these, I'm satisfied his portfolio has been managed in line with how ARIA said it would. Whilst the asset weighting is slightly different to the example given in the brochure; the brochure did explain that the allocation could vary and I'm satisfied it hasn't varied to a degree that would cause concern regarding an increased exposure to risk.

It would appear that ARIA managed Mr L's investment in line with the example given in the brochure up until 2020 when it slightly reduced Mr L's exposure to equities. Despite the change, I don't have any concerns considering it was around the time of the COVID-19 pandemic and the effect it had on the equities market. ARIA also slightly increased Mr L's exposure to Diversified Alternative Assets, which included a high proportion of non-UK bonds and cash. But I have no concerns with ARIA's decision, as these assets would be considered as more stable investments to move into considering the current economic climate at that time.

In 2021 and 2022, ARIA increased Mr L's exposure to equities and returned it to around the levels given in the brochure. I can see that ARIA slightly reduced Mr L's exposure to Alternative Income funds, however, I don't have any concerns considering interest rates increased following the COVID-19 pandemic and the Russia/Ukraine war.

So overall, whilst ARIA didn't always maintain Mr L's portfolio exactly in line with the example given in the brochure, I'm satisfied it did so in line with the strategy explanation given and the portfolio was appropriately maintained for Mr L's balanced approach to risk.

Whilst I appreciate Mr L's portfolio has underperformed, which ARIA says is due to the significant impact of COVID-19 on the markets he was exposed to, ultimately, the suitability of his investment was the responsibility of Mr L's appointed financial adviser. And so any changes that were required in light of the impact of COVID-19 ought to have been initiated by Mr L's financial advisor. ARIA's terms and conditions explained this:

"1.2 Your Financial Advisor

[...]

Your Adviser is responsible for monitoring your investments on an ongoing basis."

I also appreciate Mr L has concerns regarding ARIA negligently focusing predominantly on corporate business and taking its eye off private personal portfolios. However, I've seen no evidence to substantiate this.

I also understand Mr L believes ARIA's willingness to inject a large cash amount into the fund and to refund management fees is a clear admission of failing to fulfil its business responsibilities. However, as I've explained above, I've not seen any failing in how ARIA managed Mr L's investment and so I don't agree that in offering to refund management fees, ARIA has admitted fault.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 17 May 2024.

Ben Waites
Ombudsman