DRN-4324012

The complaint

Mrs L complains about the service she's received following the transfer of her portfolio to Financial Administration Services Limited ("Fidelity").

What happened

In 2019 Mrs L applied to transfer her investment portfolio to Fidelity, a decision made in part due to the appeal of Fidelity's Wealth Management service. During the transfer process, Fidelity found they couldn't hold several funds on their platform, so Mrs L had to surrender those investments and transfer cash instead. There were delays during this transfer process and Mrs L made a complaint. Fidelity replied to that complaint in May 2020, offering £425 compensation, which Mrs L accepted. For clarity, that complaint is not the subject of this decision, but it provides context for the complaint that is the subject of this decision.

During 2020 Mrs L grew dissatisfied with the Wealth Management service – she felt the Relationship Manager (RM) wasn't giving her the level of service that she expected to receive. For example, when the RM spoke to her about the reinvestment of a fund in December 2020, the guidance he gave went against the publicly issued guidance from Fidelity's Investment Director about the specific bond market in question.

In December 2020 Fidelity told Mrs L that she was invested in the wrong share class of the Fidelity Money Builder Income fund, which was one of the funds that had been transferred to Fidelity. Mrs L felt this ought to have been identified during the transfer process as a fund she couldn't hold, similarly to the others she'd had to surrender during the transfer. Mrs L also raised complaint points about:

- The Wealth Management service not being as advertised – for instance she hadn't been invited to any of the events that should be included
- delays in receiving quarterly reports
- not being sent documents due to Fidelity holding incorrect contact preferences
- receiving incorrect tax information
- pricing information she saw on Fidelity's website compared to other sources

Fidelity didn't uphold the complaint points about the RM's service, the Money Builder Income fund or the pricing information. However, in December 2021 they did offer an alternative RM. They upheld the other complaint points and also recognised a delay in dealing with her complaint. In total, Fidelity offered Mrs L £300 for the inconvenience caused. As she was unsatisfied with the reply, Mrs L brought her complaint to our service.

An investigator looked into the complaint and upheld it. She felt the amount offered by Fidelity wasn't enough for the overall impact the number of issues had caused and recommended that they pay a further £150. Fidelity was unhappy with this, as they felt the only reason for the increase was due to there being multiple complaints – but they did accept it. Mrs L didn't accept it. She said that:

- If the problem with the Money Builder Income fund had been identified sooner, she could have sold it and invested elsewhere.

- The lack of quarterly reports meant that she was unable to properly plan what she wanted to do with her portfolio
- The RM didn't give as much guidance as they were led to expect.
- They hoped Fidelity make clear improvements to the tax information they provide and the pricing information going forward.

As no agreement could be reached, the complaint was passed to me for a decision.

My provisional decision

I issued a provisional decision on the complaint and said the following:

"I think the amount of compensation that Fidelity has offered for these issues, including the amount recommended by the investigator, totalling £450, is fair here. I've addressed each issue separately below for clarity.

The Relationship Manager's role

Mrs L has set out several expectations for the types of information she was expecting the RM to be able to provide, for instance guidance around:

- *The amounts of different assets that should be held in the portfolio*
- *The risk of continued holdings in bond funds*
- *The risk of holding a large amount of stock in one specific area, for instance technology*

I note that the service Mrs L has with Fidelity is an execution only one – this is important because it means that the investment decisions are hers to make. Fidelity's role is to provide clear, fair and not-misleading information – and they also have to ensure the information they give doesn't cross the line to being advisory in nature.

I wouldn't expect a non-advisory service to provide guidance around the amount of each asset type an investor should hold. This is because the asset mix within a portfolio is dependent on that investor's personal circumstances and objectives.

While Mrs L may see it as asking for Fidelity's general thoughts on the structure of a portfolio – this doesn't mean that's how it would be considered by Fidelity, our service or the regulator. Firms have to be very careful not to stray into giving advice where they haven't agreed to, because of the number of additional responsibilities and regulations that surround the giving of advice, over and above the provision of information.

Firms may be able to give tips like asset percentages in broad communication sent to the public. However, when this is given to an individual it can easily be presented or perceived as being a personal recommendation for that individual. So, I don't think it was unreasonable for the RM to refuse to provide that information.

As she was unsatisfied with the service provided, I can see that Mrs L requested a different RM, expecting that they would be able to provide her with the level of help that she wanted. However, I think its clear Mrs L had an expectation of the type of information that she expected to receive from an RM, which is over and above the type that Fidelity promised to give.

I can see that the RM didn't acknowledge Mrs L's complaint when it was initially raised – and they should have, which Fidelity has offered £100 for. The investigator said that as this fell *into the category of 'complaint handling' that we couldn't consider it. However, I'm satisfied that given its proximity to the rest of Mrs L's concerns, we can consider this point. I've taken that error into account when considering the overall distress and inconvenience caused.*

The fund switch

In December 2020 the RM sent Mrs L a letter explaining that the share class she held in the Money Builder Income fund was a restricted share class that she shouldn't hold. As they had identified it, Fidelity explained they had to make a mandatory switch into a different share class.

Mrs L is unhappy that the alternative offered by the RM was the same fund, despite this being around the same time as Fidelity's Investment Director having recently described the type of holding as 'return-less risk'. She's said her holding in the fund in question grew by around 1% in the ten months between the transfer to Fidelity and when she was informed of the need to switch share class. So, she feels a better return would have been achieved elsewhere if the issue had been identified during the transfer process.

The funds Mrs L was asked to sell during the transfer process were ones that Fidelity couldn't accept at all on their platform. However, the type of share class Mrs L held in the Money Builder Income fund, didn't prevent Fidelity accepting the transfer in of this investment. These are two separate issues. So, I don't think it's something that Fidelity ought to have identified during the transfer process.

I appreciate Mrs L had read the general view given by Fidelity about income funds. However, where it's recognised that an investor holds the wrong share class, it's not unusual that there is a mandatory switch into the appropriate share class, as happened here. It's fair that the first option they gave was to switch into the appropriate share class – especially given that the December 2020 letter said that the switch between share classes wouldn't be considered a disposal of shares for tax purposes. Whereas if she'd sold the fund and bought into another, then she would have had tax implications to consider.

Regardless of the general view given by Fidelity in public facing documents, the RM must not cross the line into giving their opinion as to the steps Mrs L should take. If the RM had put forward any proposal for alternative funds directly to Mrs L, it could seem like a personal recommendation. This is not allowed for under the agreement Mrs L has with Fidelity. So, I think it's fair and reasonable that the RM didn't recommend an alternative investment.

Nor do I think they ought to have listed all the other funds that were available for Mrs L to invest in, in that letter. In sending the December 2020 letter the RM wasn't advising her to remain invested in the Money Builder Income fund - if Mrs L didn't want to remain in it, or in income funds more generally, then she could have sold her units in the fund and invested elsewhere.

Overall, I'm satisfied that Fidelity didn't do anything wrong in the way the share class switch was handled in December 2020.

The events under the Wealth Management service

Mrs L is unhappy that the Wealth Management service as a whole isn't what she expected it to be – and has pointed to the fact it's advertised as including events, and she's not been invited to any. I asked Fidelity for further information about the events, and they've said Mrs L became a client shortly before the lockdowns that were implemented due to the pandemic, so initially there weren't any events.

Once they resumed, they were both in person and virtual and information about them is provided in the Weekly Wealth Management Bulletin. They've also said that Mrs L has registered for a webinar. So, it appears Mrs L has been informed of available events. If Mrs L thinks the position is different, I'd ask that she let me know in reply to this provisional decision.

The quarterly reports

Mrs L has said she didn't receive two of the quarterly reports for more than ten weeks after they were due. I've received more information from Fidelity about this – they've said:

- *On 7 May 2021 Fidelity sent the quarterly report covering January to March 2021. This should have been sent on 26 April 2021, so was eleven days late.*
- *On 26 July 2021 Fidelity sent the quarterly report covering April to June 2021. This should have been sent on 18 July 2021, so was eight days late.*
- *After a quarter has ended, their system takes around ten working days to generate the relevant data and for it to go through a sign off process. When that's done, it takes two to three working days to send to the printers, and three to four working days to print – once that's complete, it will take a couple of days to reach the customers in the post.*
- *The report can be downloaded from Mrs L's account online, and is interactive, in the sense that it allows Mrs L to integrate different benchmarks to allow her to compare the performance of her portfolio. This is available separately from the transaction history, which is a more basic version of the statements and can also be downloaded from her account.*

Fidelity has admitted that the reports were sent slightly later than ordinarily expected and has offered £50 for this. Mrs L has said she expects them to be provided much more quickly – within a week of a quarter ending.

I don't think it's unreasonable that these take some time to be generated and checked. It's more complex than generating a bank statement, for instance, so it naturally wouldn't be issued immediately after the end of a quarter. In addition, it's not unreasonable for a business to take a few days for internal processing and printing of documents.

Mrs L hasn't specifically said how she would have changed her plans for her portfolios, had she received these statements sooner. Given the short time frame of the delays, of eleven and eight days respectively, I don't think it's likely there would have been a substantial difference in her choices. However, I have taken the delays Fidelity has admitted to into account when considering the overall amount of compensation here.

Tax information

In April 2022 Mrs L received a statement from Fidelity containing information about the taxable income received into her account. On 28 June 2022 she was sent another letter saying that a line on that statement had been duplicated, and to ignore one of the lines. Mrs L asked her RM about this, but they didn't have access to the June letter. In October 2022 Fidelity eventually explained that the letter was sent in error – that her tax information hadn't been incorrect. They offered £100 for this error – in recognition of both the incorrect letter and the time it took to explain what had happened.

Mrs L has explained that this caused her to lose trust in the service being provided by Fidelity, particularly as it was on top of other previous errors. I've taken this into consideration when thinking about the total amount of compensation.

Contact preferences

In 2022 Mrs L discovered that her contact preferences had been mistakenly changed from postal and online, to online only. Fidelity couldn't confirm why this had happened and so they concluded it must have been an error on their part and offered £50. Again, I've taken this error into consideration when thinking about the total amount of compensation.

Pricing information

In reply to the investigator's view letter, Mrs L appears to have accepted the outcome given. As such I won't comment on this point further.

Putting things right

Some of these are relatively minor problems when looked at individually. I don't necessarily agree with the individual amounts offered for each issue, in the way that Fidelity has broken down the compensation. Rather I've looked at the situation as a whole, and considered the overall impact on Mrs L. I appreciate that neither party is particularly happy with the outcome, but I'm satisfied its fair because:

- *The RM provided the level of information required – they didn't do anything wrong by not giving Mrs L advice about the best asset mix to hold, or the type of market to invest in or avoid.*
- *Fidelity did cause multiple errors, over a year and a half time frame. Communication problems seem to be the cause of most, with the RM not acknowledging a complaint, the delay to the reports, the delay with the information being provided about the tax information, and the incorrect contact preferences.*
- *When requesting a new RM, there seems to have been a delay in one being provided and contacting Mrs L. I can see a new RM was initially requested in November 2021, and this was finally agreed in March 2022, which isn't a fair and reasonable amount of time.*

Having considered everything, I'm satisfied that the total of £450 is fair and reasonable for the errors and resulting distress and inconvenience that has occurred here."

Replies to my provisional decision

Fidelity replied and said they accepted the outcome.

Mrs L replied and explained she didn't think the compensation went far enough. In summary she said:

- She feels the service she received was not as advertised
- She maintains the RM ought to have provided different option in December 2020 regarding the fund switch
- She hasn't received an annual review in 2023 in part due to the inability to generate the necessary reports
- The time to generate the reports isn't reasonable, and despite the oversight the time allows for, there are still errors
- She hasn't received a posted letter correcting the incorrect information regarding the tax information

- She hasn't received an explanation for why the contact preferences were changed – and there's a possibility they missed events due to not receiving information in her preferred way
- The compensation doesn't go far enough to allow for the time she's spent dealing with this complaint
- The cost of Fidelity's service is higher than other platforms, but she feels she's not getting the additional benefits advertised for that additional cost.

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, and having reviewed the replies to my provision decision, I see no reason to depart from my provisional findings as set out above. Fidelity has made errors, and I'm satisfied the amount of £450 is fair and reasonable for the distress and inconvenience those errors caused.

I appreciate that Mrs L received almost the same amount of compensation for her previous complaint about the transfer, as the amount in this complaint, even though this complaint involves more elements. I want to make it clear that I have not reviewed that other complaint and so cannot say whether I would have agreed with the £425 Fidelity offered in that case. That amount has no bearing on my findings about the amount of compensation in this complaint.

I've carefully considered Mrs L's comments and they haven't changed my opinion - I've explained why below.

The service Fidelity has provided, including the reports

I know Mrs L feels strongly that the service she's received isn't as advertised. I have to say her comments have further persuaded me that she's misunderstood the service Fidelity has agreed to provide. Her comments around what happened in December 2020 show she was expecting personalised advice, which is not the service Fidelity have agreed to give. I know Mrs L is dissatisfied with the service she's received – but, other than the errors I've identified above, I'm satisfied Fidelity has made available the service they promised.

Mrs L has compared the cost of Fidelity's Wealth Management service with the cost of other execution-only platforms and says that it hasn't been worth the additional cost. However, she has received additional services compared to a basic platform provider. There have been errors – but that doesn't negate the rest of the service she has received since moving to Fidelity. So, I don't think it would be fair and reasonable to say Fidelity ought to return any of the fees she's paid them, on top of the compensation they've offered.

Mrs L has said that she's experienced reduced investment performance, due to the timeliness of the reports and the lack of guidance on investment strategies. However, I'm satisfied she always had access to the value of her investments on the platform, and ultimately, Fidelity was providing an execution only service. So, the choice of where to invest always lay with her. Even if I were to agree Fidelity ought to have done more, I wouldn't be able to say where Mrs L would likely have otherwise invested, or what return she'd have received. There's not enough evidence showing what additional information Fidelity would have given, or what difference that would have made to Mrs L's investment decisions.

Mrs L has commented on the time it takes to generate the reports – for instance she's mentioned two to three working days to send to the printers being surprising. Its not for me to dictate how quickly a firm chooses to do this, provided the time taken isn't unreasonable and as set out previously, I'm satisfied Fidelity's ordinary timescales are reasonable. There were delays with some of the reports, which is reasonably addressed with the compensation.

The 2023 review

I note Mrs L has raised concerns about the 2023 review – however this is not the subject of the complaint I'm considering. My decision covers the events that took place up until October 2022 – which is the last complaint response Fidelity issued. If Mrs L has new complaint points about events after that date, then she will need to raise them with Fidelity in the first instance.

Contact preferences

I can appreciate it's unsatisfying for Mrs L to not know why or how her contact preferences were changed. Unfortunately, there are some events that are inexplicable – or are disproportionately costly or time consuming to uncover. The change to her contact preferences seems to have been a one-off incident, that only changed Mrs L's contact preferences for the Confirmation of Trade notifications from 'post' to 'online only'.

Mrs L has said she's concerned that the change meant she missed out on events or information that could have been beneficial. My understanding is that the contact preferences only impacted how she received the trade confirmations, and information about events is normally sent by email. So, I don't think she'll have missed out on receiving that information.

If I'm wrong, an in fact all correspondence was not sent via her preferred method, I'm satisfied the appropriate way to compensate for this is as part of the overall award for distress and inconvenience. As I've set out above, I'm satisfied I wouldn't be able to say what other investments Mrs L likely would have made, had she received any other information.

Overall, I'm satisfied that the total amount of compensation adequately accounts for this error.

Tax information

Mrs L has said she would like a hardcopy letter confirming that the information she was sent in June 2022 about her tax statement was incorrect. I can see that this was set out in the final response letter Fidelity sent on 6 September 2022, which states that the information was wrong. I appreciate this was sent by email, not post – but I consider emails to be equivalent to letters, unless the recipient has a specific need that requires a hardcopy of a letter.

Mrs L has not put forward any reasons why she requires this by post rather than email, other than it being a preference. So, I won't direct Fidelity to re-send this letter by post – but if they wish to send Mrs L a copy of this letter by post, then they can do so.

My final decision

Financial Administration Services Limited has already made an offer to pay £450 to settle the complaint and I think this offer is fair in all the circumstances.

So, my final decision is that Financial Administration Services Limited should pay a total of £450.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs L to accept or reject my decision before 28 September 2023.

Katie Haywood
Ombudsman