

The complaint

Ms M and Mrs P, the surviving trustees of two investment bonds, complain that the proceeds of those bonds remained uninvested for several years following the death of the settlor and the life assured, the late Mr M. They say this has resulted in a financial loss due to lost investment growth on these monies.

Ms M and Mrs P are also two of the executors of the estate of the late Mr M.

They complain that St. James's Place Wealth Management Plc (SJP) failed to inform them about the existence of the investment bonds and didn't inform them that those bonds had matured and remained uninvested.

What happened

In March 2015 two investment bonds (which I will refer to as Bond A and Bond B) were placed in trust and Ms M and Mrs P were made trustees. The late Mr M was the settlor and a trustee. Ms M and Mrs P were each sole beneficiaries of one of those two bonds.

In August 2017 Mr M sadly passed away. Mrs P, Ms M and a solicitor acting for the estate of Mr M, were the executors of his will.

Shortly after, the solicitors' firm wrote to SJP indicating that it was acting for the estate of Mr M. It asked about two investment bonds (not Bond A and Bond B), for confirmation of any other policies in the deceased's name and for appropriate claim forms to be sent for completion by the executors.

On 4 September 2017 SJP wrote to the solicitor acting for the estate and provided details of all assets held by the late Mr M. That letter also referred to four additional investments held by the late Mr M. SJP said that the solicitors would need to provide a signed letter of authority from the surviving trustees of those investments before it released any further information.

On 11 September 2017 SJP wrote to the solicitors' firm acting for the estate and enclosed a "My documents" booklet which detailed the late Mr M's assets, including the two investment bonds (Bond A and Bond B) placed in trust in 2015.

On 12 September 2017 the solicitors emailed SJP and asked whether the financial adviser would be contacting Ms M and Mrs P directly to complete the attached bond papers.

On 19 September 2017 the solicitors firm emailed SJP again and asked whether the bond papers had been sent to Ms M and Mrs P for completion. It also noted that it had reviewed the contents of the "My Documents" booklet. The solicitor's firm then asked whether the values provided for the investment bonds placed in trust in March 2015, were those at the time of transfer and whether the values were to be classed as gifts for IHT purposes.

On 21 September 2017 SJP wrote to Mrs P, as first trustee of the investment bonds (Bond A and Bond B), providing certificates of a chargeable event in connection with the claim on the bonds.

On 27 September 2017 SJP responded to the email from the solicitors' firm and confirmed those were the values for Bond A and Bond B at the date of trust and were relevant for inheritance tax (IHT) purposes as the bonds had been in trust for two years.

SJP also said in that email that claim forms would be required if Ms M and Mrs P wished to surrender the bonds or they could complete deeds of assignments to move the plans into their sole names. It asked whether the financial adviser should discuss this with them prior to the bonds being surrendered and enclosed the relevant documentation in respect of those bonds.

The solicitor's firm responded on the same day and queried what had been said about investment Bond A and Bond B. It confirmed that the SJP financial adviser should discuss what should happen to the investment bonds with Ms M and Mrs P and asked that SJP let the firm know the outcome of those discussions. It also asked about the Investment Bond Gift Plans in place for Ms M and Mrs P and whether those would be paid directly to them.

SJP responded and said that as the bonds had been in trust for less than three years it thought the full inheritance tax would be payable. It also said that it had asked the financial adviser to contact Ms M and Mrs P, and that they would discuss the bonds placed in trust and the gift plans.

On 20 December 2017 the financial adviser from SJP met with the solicitor who was also one of the executors of the estate.

On the same day SJP emailed Ms M and Mrs P and said that it had prepared the deed of assignments for various bonds to be transferred into the names and suggested scheduling a brief meeting to go over this.

Further emails were then sent trying to finalise a meeting date.

On 9 February 2018 a meeting took place between SJP and Ms M and Mrs P. The brief notes indicate no further action could take place until the confirmation of executors had been obtained.

On 1 March 2018 the solicitors' firm emailed SJP and asked for valuations of bonds using the investment number of the gift plan investments set up in 2013 but it described them as being transferred in March 2015, the date Bond A and Bond B were placed in trust.

On 1 March 2018 SJP responded and asked whether the solicitors' firm required the valuation as at that date.

The solicitors firm emailed in response on the same day and said it required the valuations as at the date of transfer.

On 6 March 2018 SJP emailed the solicitors' firm and said it was unsure about the date of transfer provided, as those plans had still not been assigned. It also said the bonds were still live and sitting in the names of the Trustees. SJP said there had been a meeting with Ms M and Mrs P and the assignment of the bonds was to be discussed again once confirmation had been granted. SJP also noted that the late Mr M had assigned other plans into Ms M and Mrs P's names.

On 8 March 2018 the solicitors' firm emailed SJP and said it required the date the investment bonds were placed in trust and the value at that time. It noted it had mistakenly said "transferred" in its previous email.

On 13 March 2018 SJP emailed the solicitors' firm. It gave the information for the value of the investments that were set up in 2013 and had the corresponding investment numbers referred to in the request of 1 March. It gave the value at the point of set up which was the same time the trust had been set up.

SJP also gave values for Bond A and Bond B quoting their investment numbers.

On 25 May 2018 the confirmation of the executors of the estate was issued by the court.

On 21 June 2018 a different investment (Unit Trust) was transferred into the names of the executors.

In April 2019 the administrative centre for SJP wrote to the SJP financial adviser chasing up the completed claim forms for Bond A and Bond B.

In July 2019 the bond numbers for Bond A and Bond B were changed as a result of a new administrative system implemented by SJP.

On 4 March 2020 the SJP Administrative Centre wrote to the financial adviser again asking for completed claim forms for Bond A and Bond B.

On 25 August 2020 SJP sent an email to the solicitor's firm indicating that Bond A and Bond B were disinvested on the date of death of the life assured, Mr M, and they needed to be paid out.

On 9 November 2020 and 15 November 2020 further letters were sent by SJP to the solicitors' firm chasing up the claim forms for Bond A and Bond B.

In May 2021 SJP's administrative system flagged up that Bond A and Bond B still hadn't been encashed.

In June 2021 a meeting took place between SJP, Ms M and Mrs P where Bond A and Bond B were discussed.

In October 2021 Ms M and Mrs P complained to SJP. They said that they were unhappy with the administration of the late Mr M's holdings following his death. Ms M and Mrs P said they weren't made aware of the existence of two investment bonds, which were in their names, for four years. They felt that this had caused them lost growth opportunities which they said they should be compensated for.

Ms M and Mrs P also said they believed that SJP had benefited from the delay and their confidence and trust in SJP had been undermined.

In around November 2021, ownership of other different investments was transferred to Ms M and Mrs P.

In January 2022 a claim form was submitted by Ms M and Mrs P and the proceeds of Bond A and Bond B were paid to them.

SJP didn't uphold their complaint. It responded in January 2022 and said the claim forms for Bond A and Bond B and a full breakdown of the late Mr M's holdings had been provided to the solicitor's firm acting for the estate, in September 2017. It also said further information about the bonds was emailed to the solicitors' firm in September 2017 and March 2018.

SJP said full details of Bond A and Bond B together with the relevant Chargeable Gain Certificates were provided to Mrs P in September 2017. It also noted the trust documentation relating to the two bonds had been signed by both Ms M and Mrs P in 2015.

SJP also said in its response letter, that it believed Mr M's financial adviser had arranged to have the two bonds assigned to Ms M and Mrs P once confirmation was granted in 2019. It also understood the financial adviser had assisted in the completion of the relevant paperwork required in order to reduce costs for Ms M and Mrs P.

Ms M and Mrs P referred their complaint to our service.

Our investigator considered the complaint and said it should be upheld in part. She noted that trust deeds confirmed that Bond A and Bond B had been placed in trust in 2015 and that the "My documents" booklet contained details of those bonds. She was satisfied that information about the bonds and the booklet had been provided to the solicitors acting for the estate in September 2017.

The investigator said that SJP had sent a chaser in March 2020 from one of its divisions to the SJP financial adviser. She thought that SJP was internally trying to progress matters to receive the completed claim forms for the bonds. So she felt that SJP had acted to try to bring matters to a close with the estate.

However, the investigator said that SJP had acknowledged that one part of the business had lost track of the investments at one stage and they had been discovered in May 2021. She said she did not feel it was fair for it to assume the bonds had been encashed after November 2020. So the investigator concluded that SJP was responsible for the monies being left between November 2020 and May 2021 and that compensation was due for that period.

The investigator said SJP should pay interest on the maturity proceeds for that period at eight percent simple per year minus the gratuitous interest it had already paid. She also said it should pay Ms M and Mrs P £150 each for the distress and inconvenience caused.

SJP didn't agree with the investigator's conclusions. It didn't agree that it was responsible for following up on the claim after November 2020. SJP said it had already contacted the solicitors' firm acting for the estate in August 2020 explaining what was required to claim the proceeds and it had followed this up in November 2020.

SJP said as it had explained what was required, that it was the responsibility of the trustees and the solicitors' firm to ensure the completed claim forms were returned.

Ms M and Mrs P didn't agree with all of the investigator's conclusions. They acknowledged and agreed with the investigator and what she had said about the period she had identified but they felt that SJP was responsible for the whole four-year period.

Ms M and Mrs P said SJP should have communicated directly with them rather than the solicitors' firm and they also noted that there had been no communication from SJP between March 2018 and August 2020. Ms M and Mrs P noted the comments by the financial adviser

where he had indicated once the bonds were in administration, he no longer had sight of them, and they said there been a serious communication and system failure.

Ms M and Mrs P reiterated that if they had known about the bonds, they wouldn't have remained unclaimed for four years.

As no agreement could be reached the complaint was referred to me for review.

I issued a provisional decision where I upheld the complaint in part but reached a different conclusion on the period of delay. I felt that SJP was responsible for half of any loss arising from a period of delay of approximately twelve months.

I concluded that had it not been for that delay Ms M and Mrs P would have invested the monies earlier and I said I thought on balance that this would have been at low risk. I set out a calculation for compensation based on the return of an appropriate benchmark over the relevant period, but said the payment of interest that SJP had already made should be deducted.

I also concluded that SJP should pay Ms M and Mrs P £150 each for the distress and inconvenience caused by the delay.

An extract from that decision is reproduced later in this decision.

SJP responded to my provisional decision. It said it thought there had been a misinterpretation with regards to whether the bonds had still been available to view. SJP said while the bonds had disappeared from the financial adviser's system, which was why he was unaware they hadn't been claimed, they were still present on the SJP Administration Centre's system.

SJP accepted the period of delay I had identified. It said it had carried out the compensation calculation using the method and benchmark set out in my provisional decision and it had resulted in a no loss outcome, once the interest already paid to Ms M and Mrs P had been deducted.

Ms M and Mrs P responded to my provisional decision and said they didn't agree with my assessment in relation to the level of risk they would have taken in investing the proceeds of the bonds.

Ms M and Mrs P said they would have been willing and able to take a medium level of risk and pointed out their portfolios had been invested with SJP at a medium level of risk.

Ms M and Mrs P provided supporting documentation by way of recommendation reports issued by SJP where their attitude to risk was assessed as medium risk and they were recommended investments accordingly.

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 view as set out in my provisional decision, save for the issue of how compensation should be calculated with reference to the level of risk Ms M and Mrs P were willing to take.

I note the point raised by SJP that the investment bonds were still visible to its Administrative Centre, and I am satisfied that is the case because the Administrative Centre sent correspondence to the financial adviser referring to the bonds. However, I don't think that changes the outcome of the complaint for the reasons I have outlined in my provisional decision, namely that reminder correspondence wasn't sent to Ms M and Mrs P or the solicitors' firm acting for the estate over a particular period.

An extract from my provisional decision is set out below and forms part of this decision.

"What I've provisionally 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.

In 2015 Ms M and Mrs P were made trustees of two investment bonds, Bond A and Bond B. They were also each the beneficiary of one of those bonds.

In 2017 the late Mr M sadly passed away. Because he was the life assured on those two bonds, his death meant that they matured and wouldn't remain invested. This was set out in the product documentation.

There were also likely to be tax consequences for the estate of the late Mr M because the bonds had only been placed in trust two years before his death.

As the bonds had matured, the next step would be for the surviving trustees, Mrs P and Ms M to complete the claim forms and claim the proceeds which they would then be duty bound to pay out to the beneficiaries of the bonds, who were also Ms M and Mrs P.

Knowledge of the existence of the bonds

Ms M and Mrs P have said they had no knowledge of the existence of Bond A and Bond B, until SJP referred to them in a meeting in June 2021.

The two investment bonds in question were placed in trust in 2015. The trust document used to create the trust was signed by the trustees, Ms M and Mrs P. So, I think it is reasonable to conclude that they would have been aware of the existence of those bonds in 2015.

Then after Mr M passed away, SJP wrote to the solicitors acting for the estate and informed them that there were four additional investments but that it needed a signed letter of authority from the surviving trustees to provide further information. It asked the solicitors' firm to provide this.

Subsequently, SJP provided the solicitors acting for the estate with information about all of Mr M's investments in a booklet entitled "My documents." It gave the investment bond numbers and values for Bond A and Bond B, and the date they were placed in trust. I am also satisfied on balance that SJP sent claims forms for Bond A and Bond B to the solicitors' firm at the same time because the solicitors' form subsequently referred to them.

Then in September 2017 (about six weeks after Mr M had passed away) Mrs P, the first trustee listed on the bonds was sent a chargeable gain certificate, described as being in

connection with the claim on these bonds, by SJP. The covering letter said:

"We have been corresponding with our St. James's Place Partner, who advised us that Mr M (redacted) has sadly passed away. Please accept our sympathies.

We are writing to you as first named Trustee.

We now enclose the Certificates of chargeable event in connection with the claim on these Bonds."

So, I think at the outset it was made reasonably clear to the solicitors acting for the estate that there were two investment bonds in trust which were ready to be claimed. While I think it would have made sense for SJP to send the claim forms for Bond A and Bond B directly to the trustees Ms M and Mrs P, I note that the firm acting for the estate had contacted SJP in August 2017 and asked about the policies held by the late Mr M. As Ms M and Mrs P were close family members of Mr M and trustees of the bonds, I don't think it was unreasonable for SJP to have assumed that the claim form information would be shared with them. And it appears from the subsequent emails between the solicitors' firm and SJP, that the firm and

Ms M and Mrs P were in contact, which isn't surprising given Ms M and Mrs P were executors of the estate and the solicitors' firm was acting on behalf of the estate.

In any event, I consider that Ms M and Mrs P would've been aware of being made trustees of Bond A and Bond B in 2015. So, when a chargeable certificate was sent to one of them in connection with "the claim" on these bonds, that would have put them on notice that there was a potential claim for Bond A and Bond B, or at least indicated that there was an issue with these bonds, which needed to be explored further.

I appreciate that this would have been a very difficult time for them both, but I consider they were given information which indicated that the proceeds of Bond A and Bond B could be claimed.

Correspondence in 2017 and March 2018

I think some of the correspondence between SJP and the solicitors' firm acting for the estate discussing the investments formerly held by the late Mr M, wasn't as clear as it could have been.

It appears there were four investment bond plans which had been placed in trust that were all referred to in the "My documents" booklet. And as I understand it, two of those, the gift plans set up in 2013, were to be assigned to Ms M and Mrs P. However, Bond A and Bond B, that are the subject of this complaint, had matured on the death of the remaining life assured. So the next step was to pay out the proceeds to the trustees Ms M and Mrs P, who would then distribute them to the beneficiary of each bond.

There was an exchange of correspondence in 2017 when I am satisfied it was made clear by SJP that Bond A and Bond B could be surrendered and claim forms were also sent to the solicitors' firm. However, there was also some discussion by SJP in emails in September 2017 and March 2018, about assigning bonds into their sole names and I think SJP gave the impression that it was talking about Bond A and Bond B.

I can see there was also some potential for confusion because in March 2018 the solicitors' firm asked about the other two investment plans set up in 2013 using the relevant numbers

for those plans but referred to the date Bond A and Bond B were placed in trust in 2015.

Then SJP, in its later response, gave information about the plans set up in 2013 but also provided values for Bond A and Bond B.

I think SJP could've been clearer in its email correspondence with the solicitors' firm at times but ultimately, I don't think that changed matters in a material way because it was still made clear that the proceeds of Bond A and Bond B could be claimed. In addition, given the solicitors' firm had embarked upon making enquiries, seemingly about Bond A and Bond B, if matters were unclear, it could've asked for further clarification to ensure it understood the position regarding those bonds.

I also take into account SJP had provided information at the outset which gave the investment numbers for both sets of investments and the dates when they had been placed in trust.

In any event, I think that if Ms M and Mrs P were unsure about which investments the chargeable certificates they had received related to, they should've contacted SJP to clarify the position.

Contact between SJP admin centre and financial adviser in April 2019

In April 2019 the SJP administrative centre sent a reminder letter to the late Mr M's financial adviser indicating that the claims forms needed to be completed for Bond A and Bond B. That letter is addressed to the financial adviser and there is no indication on the correspondence that it was also sent to the trustees of Bond A or Bond B, or to the solicitors' firm acting for the estate. In addition, I have not been provided with any correspondence sent to the trustees or the solicitor's firm at that time. Instead, the first contact from SJP reminding the solicitors' firm about Bond A and Bond B appears to have been in August 2020.

I think there was a lost opportunity here on SJP's part because there was internal correspondence sent from the SJP administrative centre chasing the claim forms for Bond A and Bond B, but the content of that correspondence wasn't passed on to Ms M and Mrs P (or the solicitor acting for the estate). I don't think it would have been too onerous for SJP to have sent a reminder letter during this period, particularly given the amount of money involved.

By this time, it was approaching two years since Bond A and Bond B had matured and as I have said, a not insignificant amount of money was involved. SJP was aware that the maturity proceeds were outstanding as can be seen from the internal reminder letter sent to the late Mr M's financial adviser. However, it appears that due to an error in its administrative processes that reminder wasn't sent out externally. In the circumstances I think it would've been reasonable to expect SJP to contact the trustees of the bonds or the solicitors' firm acting for the estate, at the two-year point to remind them that the proceeds of those bonds were available and needed to be claimed.

However, there was then nothing further from SJP until August 2020.

Having said that, I also think the trustees could've been more proactive in finding out what was happening with Bond A and Bond B, as they were on notice of a claim potentially triggering a charging event. And I think if they had done so, then the claim form would have been dealt with earlier.

So, I don't think it would be fair and reasonable to hold SJP responsible for any financial loss resulting from the whole period from August 2019 (two years after maturity) to August 2020.

As I have said, I consider that Ms M and Mrs P were on notice of a potential claim for these investment bonds, but I also don't think in the circumstances that it would have been onerous for SJP to send a reminder letter during this period. So, overall I think SJP should be responsible for half of any financial loss caused as a result of this period of delay, between August 2019 (two years after the maturity) and August 2020 (when it contacted the solicitors' firm acting for the estate). I then have to consider how that delay impacted Mrs P and Ms M.

The monies from Bond A and Bond B were paid out to Ms M and Mrs P in January 2022. So, I think broadly it is reasonable to conclude that if SJP had contacted them earlier, via the solicitor's firm or directly, that those monies would have been available for them to invest 12 months earlier, in January 2021, and that any lost growth during the following 12-month period should then be halved to reflect SJP's responsibility.

I have set out how this should be calculated later in this provisional decision.

August 2020 to May 2021

As I have said, SJP sent a reminder to the solicitors' firm acting for the estate in August 2020. I don't think it was unreasonable in the circumstances for it to expect that information to be forwarded to the trustees of Bond A and Bond B as they were also the executors of the estate, particularly as there was a background of correspondence between SJP and the solicitor's firm in respect of these and other investments.

Further reminders were then sent in November 2020, so I wouldn't have expected SJP to send more frequent reminders than it did.

I note that the investigator has identified a period of time between November 2020 and May 2021 when SJP didn't chase up the claim on Bond A and Bond B. It appears this was, at least in part, as a result of an administrative issue where SJP wasn't aware during that period that the bond proceeds still hadn't been claimed.

I agree with the investigator that it would be reasonable to expect SJP to have an accurate record of which investments were still in place at any one time. However, I have to consider whether this had any real impact on the outcome, and I don't think, it is more likely than not, that it did.

I don't think it would be reasonable, for instance, to have expected SJP to have sent a letter every month chasing up the claim for several years after the bonds had matured. Even if SJP hadn't lost track of those investments, then having already sent reminders in August 2020 and November 2020, I don't think it would've been unreasonable for it to have waited for a further six months or thereabouts, before sending another reminder or contacting the trustees or solicitors' firm.

Putting things right

Ms M and Mrs P are seeking compensation for the lost investment growth on their bonds due to the proceeds remaining disinvested. However, it is not entirely clear where the maturity proceeds from Bond A and Bond B would otherwise have been invested if they had been claimed earlier.

Given Ms M and Mrs P received these lump sums unexpectedly and in the absence of any

further explanation, I consider it more likely not that these sums would have been otherwise invested at low risk. However, I leave it open to the parties to respond to my provisional decision with any representations they may have on that point.

On that basis, I am currently minded to award compensation for the 12-month period I have identified (divided by 2) on the basis of:

A = Investment growth on the proceeds of Bond A and Bond B (without including any gratuitous interest already paid by SJP) using a benchmark for half the investment of the FTSE UK Private Investors Income Total Return Index and for the other half the average rate from fixed rate bonds over the specified 12-month period.

B = A divided by 2 (as SJP is responsible for half the financial loss for the period)

C = gratuitous interest already paid to Ms M and Mrs P

D = B – C

E = Interest of 8 percent simple per year on D from the end date to the date of settlement.

So SJP should pay Ms M and Mrs P D + E “

I have carefully considered the comments and evidence provided by Ms M and Mrs P in response to my provisional decision. I think it is reasonable to conclude that they would have invested the proceeds of these bonds in a similar way to their existing portfolios. I also note that those portfolios had been set up with the assistance of advice and recommendations from SJP and following an assessment of their attitude to risk by SJP.

So taking into account their circumstances and objectives, I think they would have been willing to accept some investment risk and accordingly I consider the appropriate benchmark for the calculation of compensation is the FTSE UK Private Investors Income Total Return index.

Putting things right

Ms M and Mrs P are seeking compensation for the lost investment growth on their bonds due to the proceeds remaining disinvested.

SJP should pay any compensation resulting from the 12-month period I have identified (divided by 2) on the basis of:

A = Investment growth on the proceeds of Bond A and Bond B (without including any gratuitous interest already paid by SJP) using the FTSE UK Private Investors Income Total Return Index benchmark over the specified 12-month period.

B = A divided by 2 (as SJP is responsible for half of the financial loss for the period)

C = gratuitous interest already paid to Ms M and Mrs P

D = B – C

E = Interest of 8 percent simple per year on D from the end date to the date of settlement.

So SJP should pay Ms M and Mrs P D + E

Income tax may be payable on any interest awarded.

Why is this remedy suitable?

I have decided on this method of compensation because:

- Ms M and Mrs P wanted Capital growth and were 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 the Ms M and Mrs P's circumstances and risk attitude.

I note that there was a small difference in value between the proceeds of the two investment bonds. However as Ms M and Mrs P are both trustees of the bonds, they are able to distribute any compensation that may be payable to the beneficiaries and indeed they are each a beneficiary of one of those bonds.

SJP should also pay Ms M and Mrs P £150 each for the distress and inconvenience caused to them by not being sent a reminder during the period I have identified. I am satisfied that they were upset when they were made aware the bonds remained disinvested and felt they had lost a return on those bonds as a result.

My final decision

I uphold the complaint in part. My decision is that St. James's Place Wealth Management Plc should pay the amount calculated as set out above.

St. James's Place Wealth Management Plc should provide details of its calculation to Ms M and Mrs P in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M and Mrs P to accept or reject my decision before 17 November 2023.

Julia Chittenden
Ombudsman