

The complaint

Ms K complains that Citibank UK Limited unfairly charged her for an advisory service despite her making it clear she wanted a non-advisory service. Ms K would the advice fee to be refunded.

What happened

Ms K invested £150,000 into a fund with Citibank in July 2021. She says she told Citibank she didn't require advice and wanted to simply pick a fund herself. However, she later realised she had been charged a 1.5% advisory fee, so she raised a complaint with Citibank.

Citibank considered Ms K's complaint but didn't feel it had acted unfairly by charging her the fee. It said that all fees related to her investment were in the suitability reports provided to her and during telephone conversations prior to investing. So it was satisfied she was aware of the advisory fee before investing.

Unhappy with Citibank's response, Ms K referred her complaint to this service for an independent review.

One of our investigators looked into Ms K's concerns and felt the complaint should be partially upheld. In summary, they said:

- They had listened to a call between Ms K and Citibank from March 2021 which supported Ms K's submission that she was initially led to believe she would proceed on a non-advisory basis.
- They felt Citibank had carried out work by assessing Ms K's circumstances, constructing a model portfolio for her and issuing suitability reports.
- Citibank made it clear to Ms K that advice was being provided – and asked for her explicit acceptance of the 1.5% advice fee before proceeding with her investment.
- Ms K declined the model portfolio Citibank constructed for her and decided to select a fund from the initial list provided to her, so they felt she didn't rely on Citibank's advice.
- Ms K had the opportunity to rectify the situation and inform Citibank that she did not want an advisory service but failed to do so.
- So they felt it would be fair for Citibank to refund Ms K half of the advisory fee she paid.

Citibank and Ms K didn't accept the investigator's findings. Citibank said it had provided all the information required from its side to confirm that the fees in question were adequately disclosed to Ms K with ample opportunity for these to be queried. Ms K said she was expecting a non-advisory service and at no point was the change to an advisory service discussed. She said she questioned Citibank on the necessity to complete a form regarding her knowledge and experience and was informed that it was routine with Citibank that all customers complete this. So she felt a full refund should be awarded.

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.

The crux of Ms K's complaint is that her intention was always to invest on a non-advisory basis, but Citibank arranged her investment on an advisory basis without giving her notice and without her consent. From the information provided by both parties, it would appear that the investment discussions were all done over the telephone. And having listened to all the call recordings provided, it seems that some conversations may be missing. Citibank insists that all available call recordings have been provided. So it's not entirely clear why or how a change from a non-advisory to an advisory service was initiated.

It's clear that Ms K was initially told she could proceed on a non-advisory basis. Citibank has provided a telephone call recording from a conversation it had with Ms K on 19 March 2021. Having listened to the call, it appears to be a follow up call to a previous discussion which service has no record of. In the call Citibank explained that Ms K would need to upgrade her investment account and deposit £150,000 in order to invest. Citibank went on to explain the following:

"...with the risk profile that you have completed, the outcome of the risk profile is risk [inaudible], so that will not allow me to provide any advice on the portfolio, so what I can help you with is to provide you with a list of mutual funds that we maintain on the platform, that you can invest yourself online...Is this something you've done yourself in the past with a different provider?"

Ms K confirmed she had invested this way previously and was happy to proceed on this basis. Citibank then agreed to email over a list of funds for Ms K to consider, which I've seen was sent later that day.

Citibank has provided a further telephone call recording from 21 May 2021. In this call Citibank said it was calling as it had agreed to discuss an investment strategy with Ms K following her submitting her risk profile online on 18 March 2021. Citibank explained in the call that it needed to discuss Ms K's answers provided as there were some discrepancies in her knowledge and experience. Ms K clarified her answers and Citibank explained that it could then conduct a suitability assessment in order to construct an investment portfolio for her. This is the first time there is any indication given that an advisory service was to be provided and it's not clear whether Ms K requested this prior to the call. However, Citibank says Ms K didn't take any action following it sending her the list of available investment funds and so on balance, I think it's more likely than not that Citibank took it upon itself to make the recommendation to Ms K.

Citibank has also provided a further telephone recording from 27 May 2021. During this call Ms K asks Citibank whether any information shared by her relationship manager would be free of charge. Citibank confirmed any support in relation to the investment is free of charge but clarified that advisory, transaction and custody fees are charged at the point she invests. This appears to be the first time Citibank makes Ms K aware of an advisory fee being charged, which I think should have put her on notice that Citibank was proceeding on an advisory basis. Ms K then asked how much the advisory fee would be and Citibank confirmed it would be a 1.5% upfront fee. Citibank then clarified that these charges are included because Ms K had explained that she wanted to construct a portfolio for her mutual fund account. Ms K's preferred asset allocation was then discussed at length in which she made several adjustments to Citibank's model portfolio. Citibank then clarified the fees involved once again, including the 1.5% advisory upfront fee.

Following this call, Citibank sent Ms K a suitability report dated 27 May 2021. Within the report, Citibank recommends that Ms K invest £150,000 in a portfolio made up of nine funds. The report said that the asset allocation was different to Citibank's model portfolio but that the amendments suggested by Ms K remained within an acceptable range for her risk tolerance. The report also mentioned the 1.5% advisory fee.

It would then seem that Ms K was unhappy with the recommendation provided. I say this as Citibank has also provided a copy of an updated suitability report dated 22 June 2021. The report said that Citibank had a telephone call with Ms K on 22 June 2021 in which she explained she wanted to amend the investment proposal to invest all of the £150,000 in to just one fund. Unfortunately, no recording of this conversation is available and so I'm unable to ascertain what was discussed. The report explained that Citibank had made Ms K aware that this asset allocation deviated from the previous proposed investment strategy but that she had assured Citibank that she was happy to proceed. I think it's worth noting that the report didn't explain whether this investment strategy remained suitable for Ms K or not.

Taking into account all of the above, it's clear to me that it was Ms K's intention to invest on a non-advisory basis. I say this as she gave a clear intention to do so on the 19 March 2021 call and also explained that she had invested in this way previously. Furthermore, it's clear from the call recordings that Ms K had a keen interest in specific investment markets and was heavily involved in picking her own asset diversification.

What remains unclear is why Citibank decided to proceed on an advisory basis. I've not seen any evidence to suggest discussions around this happened prior to Citibank calling Ms K on 21 May 2021. But this doesn't negate the fact that Citibank did explain that an advisory charge would be included on the calls and Ms K acknowledged and accepted this. Furthermore, the fee was included in the suitability reports provided to her. I appreciate Ms K says she didn't read the suitability reports as she had difficulty accessing them, however, having listened to the calls I'm persuaded she did eventually gain access to these before deciding to proceed with the investment. So I'm persuaded Ms K did have ample opportunity to let Citibank know that she didn't want to proceed on an advisory basis.

I also acknowledge that Citibank did undertake work to assess Ms K's suitability requirements and issued suitability reports. And as Ms K didn't make Citibank aware that this work wasn't required, I don't think it would be fair for Citibank to not be compensated for this work. However, I also don't think it would be fair for Ms K to pay the full advisory fee as although advice was initially given, I'm not persuaded Ms K relied upon that advice when making her investment. I say this as she didn't accept the initial recommendation made on 27 May 2021 and went on to select a fund which was in the initial list of funds sent to her via email on 19 March 2021. I appreciate Citibank put the fund in the suitability report 22 June 2021 but as I've mentioned above, Citibank didn't provide any commentary on whether this was suitable for Ms K. So I agree with the investigator's findings that Citibank should refund Ms K half of the advisory fee she paid.

Putting things right

Citibank needs to refund Dr K 50% of the advisory fee she paid. It should also add 8% simple interest from the date she paid it up until the date of acceptance of this decision. This is to compensate her for being deprived of this money.

My final decision

My final decision is that I uphold this complaint against Citibank UK Limited and require it to compensate Ms K in line with the instructions given above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 9 February 2024.

Ben Waite
Ombudsman