

## **The complaint**

Ms R has a Self-Invested Personal Pension ('SIPP') that she has owned from its outset. In addition, she has a SIPP she inherited from her late husband. The former will be referred to as 'SIPP1' and the latter as 'SIPP2'. Her complaint against Quilter Cheviot Limited ('Quilter') is mainly about its discretionary management of SIPP2 in 2022.

She alleges that Quilter mismanaged SIPP2's portfolio; and that her Investment Manager ('IM') failed to deliver the service she was entitled to, because of his unavailability during crucial periods, his poor communications and his lack of attention to and monitoring of the portfolio (and her enquiries about the portfolio). She also refers to concerns about a specific fee she says was previously undisclosed, and about Quilter's handling of her complaint.

Quilter concedes the part of the complaint about the IM's delay in making contact, and communicating, with Ms R. It has apologised for this part and it has offered £500 for the inconvenience caused to her. However, it disputes the remainder of the complaint.

## **What happened**

Ms R and her late husband became clients of Quilter in 2010. Prior to his passing, her late husband's SIPP2 was managed by the same IM that managed SIPP1. After her inheritance, in 2016, the IM continued to manage SIPP1 and SIPP2. The SIPPs were different in values and profiles, and they were managed differently.

The management statement for SIPP1's portfolio, ending December 2016, shows its value was around £146,000 and that there was a restriction in the discretionary management mandate given to Quilter at the time, whereby no hedge fund investments could be made in the portfolio.

The IM's suitability report, sent to Ms R just over a year earlier (in October 2015), includes the following information about her and about SIPP1's portfolio – she was already retired; her objective was to generate growth in the portfolio and take 'some degree of income' from it; she had a medium risk profile and moderate loss capacity for the portfolio; to meet her objective and risk profile, Quilter's 'Income Strategy' approach was recommended; this was to be applied to the portfolio within its discretionary management service; Quilter would regularly report on the portfolio; and if any changes in her circumstances resulted in alteration of the investment approach, that would be discussed and agreed with her.

The management statement for SIPP2's portfolio, also ending December 2016, shows its value was around £675,000.

The IM's October 2015 suitability report for SIPP2's portfolio was issued prior to Ms R's inheritance. The first report that reflects the inheritance is that of August 2016. It includes the following information about her and about SIPP2's portfolio at the time – the same objective to generate growth and take some degree of income from the portfolio applied; she had a lower to medium risk profile and low loss capacity for the portfolio; to meet her objective and risk profile, Quilter's 'Defensive Strategy' ('DS') approach was recommended; and the same discretionary management and reporting basis applied.

A Schedule of Charges ('SoC') signed and dated by Ms R in July 2016 confirms Quilter's tiered Annual Management Charge ('AMC') and "Other charges", which include an exchange rate charge and an ISA subscription administration fee. In addition, notice was given under the *other charges* section that "*In respect of overseas transactions, local taxes and third party brokerage charges may apply*".

The IM's October 2021 suitability report for SIPP2's portfolio confirms that the portfolio was Ms R's primary source of income, based on a regular withdrawal of £2,425 every month. There was no change to her risk profile and capacity for loss for the portfolio, or to the DS basis on which Quilter discretionarily managed the portfolio.

The October 2021 suitability report for SIPP1's portfolio confirmed that no income was being drawn from it, instead income generated within it was being reinvested.

The IM accompanied the October 2021 reports with an email to Ms R. In it, he summarised the performances and combined value of both SIPP portfolios, confirmed they had achieved good returns, summarised their profiles, affirmed that the hedge fund related restriction in SIPP1's portfolio was being maintained, but noted that the restriction was "relaxed" in SIPP2's portfolio to allow a BNY Mellon fund investment, because it was less of a pure hedge fund and more of an equities fund (with derivatives used for insurance not to add risk).

The Costs and Charges statement for SIPP2, for the 12 months ending December 2021, showed Quilter's AMC and dealing charges, as well as third party transaction costs. However, it also showed a charge (of around 0.8%) for "Weighted cost of collective funds" (the 'WCCF' fees), which the statement defined as "*The cost of collective funds in the portfolio which includes the charges made by the fund manager, the cost of running these funds and the costs of transactions within the fund*". This is the charge that Ms R considers to have been previously undisclosed and that she has queried.

With regards to her claims about mismanagement, communications and monitoring of SIPP2's portfolio, the main events were in 2022. She says the following happened:

- The quarterly update she received from the IM in July stated that SIPP1 had a net return of -8.7% (compared to the benchmark return of -6.6%) and SIPP2 had -8.6% (compared to the benchmark return of -5.9%). This amounted to a loss of around £100,000 in the value of her portfolios since the beginning of 2022.
- Starting from 17 July, she repeatedly tried to contact the IM. He initially and briefly responded to say he was on holiday, but his promise to return to her later in the week was not kept.
- She did not get to speak to him until 1 September. It was a brief conversation in which he promised to arrange a Teams meeting with her, which he did not do. During the conversation he admitted she had cause to be concerned "*to some extent because defensive portfolios in (longer date) bonds have gone down more than those in equities invested elsewhere*".
- Despite her emails, she did not hear from him again until 5 October, when he confirmed that he had sold long-dated gilts and other assets in SIPP2's portfolio (and crystallised around £152,000 of losses) between the then Chancellor's mini budget announcement of 23 September and 26 September. In his first letter to her since July, he wrote on 6 October to confirm 33% of the portfolio had been sold and that had crystallised £173,000 of losses.

Ms R argues that the IM's actions in September were wrong.

She says they were done without consultation with her and without having first addressed the enquiries and concerns sent to him in numerous correspondence during his unavailability between July and September; he was aware of her personal circumstances and the importance of SIPP2 for her ongoing income and retirement, so he knew it was equally important to address her concerns; for the same reasons he should have consulted her prior to his actions; his failures deprived her of the opportunities to consider the pros and cons of crystallising the losses, to consider her options and to take advice; the portfolio potentially lacked diversification (it was too weighted in long-dated gilts holdings, which she had been led to believe were safe), so this was another reason to consult with her in reviewing it.

She also questions what she considers to have been key misjudgements by the IM, given that he knew, at the beginning of 2022, that interest rates were at an all-time low and were bound to be increased in response to concerns about inflation in the economy (as they subsequently were in February, March, May, June, August and September). As such, she says, he ought reasonably to have foreseen the inevitable impact on the value of SIPP2's long-dated gilts, he ought to have been reducing the portfolio's exposure in that respect, and he ought to have been rebalancing the portfolio, long before September. Instead, in her view, his knee jerk reaction of selling off in the *eye of the storm* in September resulted in the substantial crystallised losses she has suffered. She also notes that his managers within Quilter, in their spring analysis/updates, had sounded alarm bells about the foreseeable impacts on gilts, yet he held no discussion with her about it at the time (in spring 2022).

Quilter mainly says the IM's delay, in between July and October 2022, in addressing Ms R's concerns was wrong; the concerns should have been addressed upon his return from holiday on 1 August, but that did not happen until his email in October; it concedes this aspect of her complaint, apologises for it and has offered her £500 for the inconvenience caused to her; otherwise, and in terms of management of the SIPPs' portfolios, the IM's actions were within the remit of Quilter's discretionary management service; the September sales he made were recommended by its research team, he explained the rationale to Ms R thereafter and whilst he could have discussed them with her beforehand he was not obliged to; with regards to the WCCF fees they are not additional fees; they are fund related charges that have always applied, but have been disclosed separately since that was required by the rules about costs/charges disclosure introduced by MiFID II in 2018.

One of our investigators looked into the complaint and concluded it should not be upheld.

She made the following main findings:

- Quilter's position on its discretionary management of the portfolios is correct. Under the agreed terms of that service [which she quoted] it had discretion to undertake transactions within the portfolios without prior reference to Ms R. Throughout its discretionary service, between 2010 and 2022, she did not object to Quilter's discretionary powers. Evidence shows she elected for that service, and that she did not select the 'advisory' alternative in which transactions were not to be conducted without her agreement. For these reasons Quilter did not commit any error in making the September sales without consulting her.
- Quilter also did not breach the mandate for the portfolio. It was reasonable to have a mixture of equities and gilts in order to match Ms R's risk profile and objectives. In terms of her concern about over exposure to gilts, the portfolio was constituted in line with the model portfolio she had agreed to as recently as October 2021. There is no

evidence that she changed the risk profile for the portfolio between October 2021 and September 2022, and it is not the case that the portfolio's under performance resulted from exposure to more risks than she had agreed to.

- With regards to performance, if an investment manager does not meet or exceed a benchmark or if it does not take the same investment approach as another investment manager, these do not automatically mean it has been negligent or that it has mismanaged the investment. External factors can affect performance. In Ms R's case, gilt holdings are traditionally less risky than equities, but they incurred large losses of value because of external factors like the interest rate movements and the effects of the September 2022 mini budget. Under performance alone is not enough to uphold a complaint.
- With regards to the fees/charges issue, evidence does not show that charges applied to the SIPP exceeded those Ms R agreed to in the terms and conditions.
- Quilter has upheld the part of the complaint about the IM's delayed communications. It has apologised for that aspect and offered compensation, so it need not take any further action.

Ms R disagreed with this outcome and asked for an Ombudsman's decision. Her representative made additional submissions on her behalf.

He mainly said – she accepts the IM's discretionary management role and does not allege that he was obliged to obtain her consent before conducting transactions; her allegation is that he failed to discharge his active management responsibilities in the quarters ending March, June and September 2022, during which he left the portfolio seriously unbalanced and exposed to the effects of the interest rate increases; he has never explained this failure; he knew, as early as October 2021 (and onwards), that gilts were less defensive, because he stated this to Ms R during a Teams meeting at the time; in this context, it should have been obvious to him that the portfolio's under performance, up to March 2022, correlated with the ongoing problem with gilts and the portfolio's over reliance on gilts, yet he took no corrective action; his reference to being restricted from investing in hedge funds is a red herring; his inaction was compounded by his unavailability during 2022; both suggest he was *"... asleep at the wheel at the very time when market volatility required him to pay maximum attention"*; and this explains why he panicked and sold a third of the portfolio in just two days in the worst of circumstances after the 2022 mini budget.

The case was referred to an Ombudsman.

### **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.

#### **Complaint Handling**

I will treat this before addressing the main issues in Ms R's complaint. I have noted her dissatisfaction with Quilter's handling of the complaint and the grounds she has set out in this respect.

Based on the rules for our jurisdiction, I can determine complaints about regulated activities, like the portfolio management issues in this case, but complaint handling, in isolation, is not a regulated activity. It is also not an ancillary activity connected to the conduct of a regulated

activity.

Sometimes a complaint to a firm and its alleged mishandling of it might be parts of the substantive case. If so, addressing the firm's complaint handling might then be necessary, in determining the overall complaint. However, Ms R's complaint is not that type of case. The substantive issues in her case are about her allegations of portfolio mismanagement, lack of portfolio monitoring, failure to communicate and the financial loss she says all these factors contributed to. The events she has cited in these allegations happened before her complaint, they are remote to how Quilter handled the complaint (or its complaint handling process). Therefore, Quilter's complaint handling is an isolated matter that is outside my remit.

For the above reasons, I do not address the complaint handling part of Ms R's case.

### The WCCF fees

Quilter says it had to disclose them separately after MiFID II requirements to do so in 2018. It does not appear to have done so in the first two quarterly investment reports sent to Ms R in that year, but copies of the reports that have been shared with us show that the WCCF fees were defined and disclosed within them from 2019 onwards.

The January 2022 updated version of Quilter's terms and conditions has also been shared with us. I have considered if, and/or to what extent, this document can be relied upon as evidence of the terms disclosed to and agreed by Ms R prior to this updated version – especially given that her concern about the WCCF fees applies to periods before 2022.

Publicly available information (from the internet) shows that Quilter publishes supplementary documentation giving notice of amendments to its terms where, it appears, it is yet to publish a full updated version of those terms. An example I found was one in which a summary of changes to its terms, effective from 25 May 2018, was set out. I refer to this example as I refer to section 31 of the 2022 terms, which states that Quilter may change them by sending clients written notice describing the relevant changes, confirming the date on which they become effective and giving clients the opportunity to terminate its service if they disagree with the changes. The 2018 example therefore appears to support the reality of this term, and shows that the term reflects what Quilter had been doing even before 2022.

In the above context, and on balance, I am satisfied that the 2022 terms reflect those that existed in previous versions and/or the changes to the previous versions that Ms R probably received notice of and implicitly agreed to – given the fact that she did not previously terminate Quilter's service because she disagreed with changes to the terms.

Section 12 of the terms says – *“You must pay us our charges noted in the Schedule of Charges and, where applicable, the additional charges set out in the Costs and Charges Information”*.

As stated in the background above, the AMC (which was/is a Quilter charge) is indeed set out in the SoC, and the WCCF fees (which are not a Quilter charge) is set out in the Costs and Charges statement. In addition I repeat, the WCCF fees were included in the quarterly investment reports since 2019. It is also noteworthy that the report for the first quarter of 2019 provided the following notice and explanation –

*“Costs and charges summary for the year to 31 December 2018*

*This is a new style report instigated by the MiFID II legislative framework (a regulatory requirement that increases transparency across financial markets and is designed to offer greater protection for investors) and welcomed by us at Quilter Cheviot, to help you*

*understand the costs incurred on your investments. This report will be provided to you on at least an annual basis.*

*We have previously shown our charges which include the annual management charge, dealing commissions (where applicable), stamp duty and incidental charges in our quarterly reports and statements. This new style report sets out these charges and includes the costs of any investment products that you hold or have held over the previous 12 months period. For discretionary or advisory investment management clients, the performance of your portfolio has been shown in your quarterly reports after deduction of these costs. The performance of funds is always reported net of investment costs.*

*If you have an adviser, they may also make a charge for their services. If we facilitate this charge for you, this is also included in the report.” [my emphasis]*

Overall, on balance and for the above reasons I find that, in terms of transparency, these fees do not appear to have been concealed from Ms R; and in terms of legitimacy, as they have been defined in the statements and reports, they were fund related costs that had to be paid for, the payments went to the funds in which the portfolios were invested, and they did not go to Quilter – and, also with regards to legitimacy, scope for them was included in the terms of service. I do not find grounds to conclude, on balance, that there has been a wrongdoing in this issue.

#### The IM's communications

I am persuaded that this issue has been fairly and reasonably resolved by Quilter's concession, apology to Ms R and its offer of £500 compensation for the inconvenience caused to her.

Quilter accepts that the IM should have contacted Ms R, to address her enquiries, upon his return from holiday on 1 August 2022, and that he ought not to have delayed treatment of her enquiries until early October 2022, as he did. This broadly covers the period in which she has complained about not having the IM's attention to her repeated efforts to contact him, and to her concerns and enquiries.

I have noted comment from Ms R about the £500 offer being insufficient, but it seems she might not have considered it in relation to the isolated matter of communications. This is what I have done. The alleged mismanagement is separate, as I address in the next section, the issue about monitoring of the portfolio is part of that allegation, and, as her representative clarified to us, the arguments about the IM being obliged to consult her appear to have been withdrawn. If that is not the case, the arguments are without merit, for reasons I address below. In other words, the complaint about communications is isolated.

Ms R sought to discuss her concerns about performance with the IM from 17 July onwards. Available evidence is that he was away for the remaining period in July and returned on 1 August. No discussion happened in August and only a very brief discussion happened in September, then in early October both sides held a proper discussion and the IM followed up in writing the next day. Therefore, his failure to communicate with Ms R and to address the concerns she had sent him lasted two months.

That should not have happened. However, it appears to have had no bearing on his ongoing discretionary management of the portfolios – I address the management issue separately below – so it is a failure that resulted mainly, or only, in the trouble, upset and inconvenience caused to Ms R. For such a matter – communications delayed over the course of two months, causing trouble, upset and inconvenience – I do not find the £500 compensation offer to be unreasonable. It adequately covers the effect upon her of not receiving the client

service she expected and was entitled to in this issue, and I am not persuaded that Quilter should have to offer more.

*The IM's management (including monitoring) of SIPP2's portfolio*

Ms R's representative says she accepts that the IM "... *had a general discretion to manage the No.2 SIPP ...*" and that she "... *does not allege that [the IM] was obliged to obtain her consent before he carried out transactions in respect of the portfolio*". This is why I stated above that her claim about the IM being obliged to consult with her before taking action in the portfolio – including the extensive submissions she made in support of the claim – appears to have been withdrawn.

For the sake of completeness, I find that the claim lacks merit. The terms on which Ms R engaged and agreed Quilter's discretionary investment management service are quite clear. It managed her SIPP portfolios on a discretionary basis and that meant, as she knew, it did not have to consult with her or obtain her instructions for any investment related actions in the portfolios. She appears to have had separate service from an independent financial adviser, so if she sought advice on the quarterly investment statements/reports she was receiving in 2022 that was her source of such advice. Equally, if she wanted to consider changing any part of the mandate on which Quilter managed her portfolio, she could have discussed that with her adviser.

This does not mean she was not entitled to put enquiries to the IM. She was, and as I found above he should have answered her enquiries earlier than he did. However, the point is that Quilter managed the portfolio on a discretionary basis, so if she wanted an arrangement in which she was consulted prior to investment actions and/or if she wanted independent advice on its management of the portfolio that went beyond the service she engaged from Quilter.

There is no evidence that Ms R changed any part of that mandate. Her risk profile and capacity for loss were set lower for SIPP2's portfolio (compared to SIPP1's). That was the case from 2016 to 2021, and it remained the case throughout the period in 2022 relevant to her complaint. The same applies to the DS approach agreed by her for Quilter's discretionary management of SIPP2's portfolio – that too was a lower risk approach compared to the Income Strategy approach used for SIPP1's portfolio; the DS approach had been used between 2016 and 2021; and it continued to be used throughout the period in 2022 relevant to her complaint.

Ms R's objective also remained unchanged and SIPP2's portfolio continued to be her main source of income in 2022, as it had been previously.

The October 2021 suitability report (for SIPP2) enclosed the factsheet for the DS approach. The factsheet gave information on the DS model portfolio. It contained, approximately, 25% in UK equities, 15% in international equities, 35% in conventional gilts, 13% in hedge funds/absolute return securities, 5% in commercial property, 2% in commodities/other and 5% in cash.

In terms of suitability for the profile Ms R had for SIPP2's portfolio, I do not consider the DS approach and its model portfolio to have been unsuitable. Conventional gilts are commonly regarded to be a less risky class of investments, so the 35% allocation reflected her low capacity for loss and the lower end of her lower to medium risk profile. However, she also needed growth in the portfolio (to sustain ongoing income at the time, and future income), so the portfolio needed some exposure to risks in order to increase its chances of achieving returns (or better returns). The equities and alternative assets components provided that.

The investment report for the first quarter of 2022 shows that SIPP2's portfolio held, approximately, 37% in fixed interest securities (most of which were UK Gilts holdings), 23% in UK equities, 20% in international equities, 17% in alternative assets and 3% in cash; for the second quarter, the fixed interest content remained broadly the same, there was a 24% UK equities content, 17% international equities content, 18% alternative assets content, and 4% cash; and for the third quarter (up to the end of September 2022) the portfolio held approximately 34% in fixed interest securities (mainly UK Gilts), 23% in UK equities, 18% in international equities, 17% in alternative assets and 7% in cash.

Given that the portfolio was actively managed and that the reports were summaries of that active management, I am mindful that asset allocations would not have been static. They would change slightly over time and would be actively rebalanced during those changes. Furthermore, there would have been some reasonable and acceptable tolerance in matching the exact model portfolio allocations. In this context and based on a comparison between the allocations summarised above, I consider that, on balance, Quilter kept SIPP2's portfolio broadly in line with the DS model portfolio during the relevant quarters of 2022.

All the aspects addressed above formed parts of the overall mandate for SIPP2's portfolio. Overall, on balance, and for the reasons I have given, I do not find that it was mismanaged in terms of compliance with the mandate.

Quilter's role included active management. I have considered the argument made by Ms R and her representative that the portfolio was mismanaged in this respect. They have made points about what they would have expected the IM to do in relation to the portfolio's exposure to long-dated UK Gilts, the state of interest rates coming into 2022, general awareness of the outlook for interest rates early in 2022 (with regards to the ongoing concerns about inflation), and the foreseeability of that outlook impacting upon the values of the portfolio's gilts holdings.

The first point to note is that the IM's active management of the portfolio was done under a structure in Quilter whereby, it appears, his judgments sat alongside input from the research and strategy functions within Quilter. For this reason, I have looked at, but also beyond, what the IM did, and I have looked at what Quilter's position on the markets and economy was at the time.

I am also mindful that, as I found above, Quilter upheld the mandate for the portfolio and it had to continue doing so. Therefore, whatever it did in its 'active' management it could not conduct itself outside of that mandate. The size of the portfolio's fixed interest securities component was somewhat necessary. It was a key factor in reflecting the low capacity for loss and lower to medium risk profile aspects of the mandate. At between 34% to 37% the fixed interest component of the portfolio broadly matched the agreed DS model and it did not amount to an over exposure.

I have noted the debate about whether (or not) the IM was restricted from investing in hedge funds. The DS model allowed for some hedge fund content, but I do not have enough evidence to determine the debate – that is, in terms of whether (or not) Ms R restricted the IM from using them in SIPP2's portfolio. Aside from that debate, I am not persuaded that he reasonably could have done anything – including with regards to hedge funds – that risked pushing the portfolio away from the DS model and/or away from its mandate. If any argument about the use of hedge funds (or a reduction in the fixed interest component in exchange for something else) carried such a risk, that argument would lack merit for this reason.

In other words, even in the context of active management, activity remained confined to the remit of the mandate.



The IM's April 2022 letter broadly observed some of the concerns that Ms R and her representative have argued about, and the same was the case in the market and economic commentary attached to the letter. Between both documents (as well as the letter from Quilter's Chief Executive, which was also attached), the message was mainly that 2022 had been difficult for a number of reasons (including geopolitical events, the pandemic and its aftermath, and the global concerns about inflation), there remained significant uncertainties looking ahead, nothing drastic was being proposed, but gains and some protective hedging were to be sought in some global equities areas and in long-term holdings.

Quilter's approach towards SIPP2's portfolio, at the time and up to September, appears to have been to *ride* through the difficulties that were in the market, to react where needed but to look beyond the short term effects and manage the long term plans. This was not unreasonable in the circumstances. As the investigator said, the notion of under-performance or the fact that another investment manager takes a different approach does not automatically establish a wrongdoing. Even if, with the benefit of hindsight and/or with input from financial advisers or other investment managers, Ms R considers that Quilter could have used a better approach that does not mean its approach amounted to mismanagement. It should be considered on its own merits, and in the circumstances as they were it was not an unreasonable approach. I refer to more evidence on this below.

I address what Ms R and her representative have described as the IM's knee jerk reaction in late September. The description suggests his reaction lacked sound reasoning, but I do not consider that to be fair. It is common and undisputable knowledge that the mini budget in that month caused significant disruption to the markets and the economy at large. The effect was immediately felt and apparent. Many, from institutions to individuals, had cause to promptly revisit their financial arrangements and to change things within them.

In this context, it was neither unique nor surprising that the IM saw cause to react and to conduct the sales that Ms R has criticised. I understand that, in the circumstances, more could be expected from the IM and Quilter because they are skilled professional investment managers, and Ms R might argue that they ought to have known better than to crystallise paper losses due to no more than a panicked reaction to the problems following the mini budget. However, on balance, I am not persuaded to agree.

The portfolio did not exist in a vacuum, so the wider reaction to the mini budget was relevant to its contents and its prospects. Without the benefit of hindsight, I do not consider it wrong for the IM to have applied mitigation that he, prompted by surrounding and dynamic events/factors, reasonably viewed to be necessary to avoid greater losses. His explanations to Ms R, in October, included the following –

*"You ask in the body of your email why I rebalanced 33% of the tax exempt SIPP on the day of the chancellor's speech.*

*I did this because in addition to the sacking of the treasury chief he announced unfunded tax cuts which bond markets, the IMF etc all criticised and reacted to.*

*Since 23 September to date, short dated gilts have fallen by -2.8% and longer gilts by a larger -8.2% so had it not been done the portfolio would have fallen by more.*

*The sale of long gilts crystallised losses but if they were retained, the standing losses uncrystallised losses would have been larger.*

*You are right on one point which is that when rates fall then these long gilts can rise in value sustainably.*

*However the expectation is for more interest rate rises in November with more political turmoil (speculation on the PM's future) so the consensus is that long gilts are still under pressure for the next few months.*

*£110,000 was moved from long to short gilts. Short gilts now form 21% of the portfolio ( and 20% of the benchmark) and long gilts 5.6% of the portfolio ( and 7% of the benchmark).*

*You are marginally below the benchmark gilt level at 31.4% versus 32.4.*

*The other part of the rebalancing was to move out of UK smaller companies into larger companies and adding £7,000 to the US equity market via the Dodge and Cox Value Fund.*

*On the point of foresight or hindsight, the problem was that what the chancellor did caught the entire market by surprise.*

*The pension funds the bank of England had to bail out were supposedly liability matched with a high degree of sophistication not available to the ordinary investor and they were caught most unaware of all.*

*... I reacted for the No 2 SIPP. There was no expectation the central bank would intervene and that came some time afterwards is time limited that to this weekend in a battle against the government.*

*The entities which could most easily capitalise were the fund of hedge funds and you will see that this part of the investment world has been one of the beneficiaries of the falls in gilts and sterling".*

I acknowledge that Ms R is entitled to disagree with the reasoning he set out above in relation to the asset sales. However, it shows that his actions were not arbitrary. He did not dispute that he reacted to the mini budget and the fallout from that, but he was not alone in doing so. The markets and the economy all reacted. He explained why he did so, and I do not consider that his reasons were flawed. They were reasonable in the circumstances. It is possible that, had he not reacted to the relevant events, he and Quilter could be facing the alternative allegation that they failed to react when they should have.

Overall, on balance and for the above reasons, I do not find wrongdoing in Quilter's active management of the portfolio.

With regards to monitoring, all the quarterly updates and reports in 2022 serve as sufficient evidence that Quilter monitored the portfolio. The information they provided was relatively detailed and meaningful. The first report was supported by the IM's letter to Ms R in April, in which factors affecting the portfolio's performance were explained. Attached to it was Quilter's market and economic commentary. Overall, I am satisfied with evidence that Quilter properly monitored the portfolio in 2022.

### **My final decision**

For the reasons given above, I do not uphold Ms R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 8 July 2024.

Roy Kuku  
**Ombudsman**