DRN-4594598

The complaint

Mr and Mrs H complain that Investec Wealth & Investment Limited ("Investec") charged fees for a financial planning service that it didn't deliver and that it provided poor customer service which led to a delay in their investment taking place. They want Investec to:

- Refund its financial planning fees.
- Compensate them for the loss made because of the delay in investing their money.
- Compensate them for the stress and inconvenience they've been caused.

What happened

Our investigator set out a timeline of what happened, and I summarised this in my provisional decision, as well as outlining our investigator's decision and how each party had responded to that. I won't repeat that here. Instead, I'll provide a copy of my provisional findings and concentrate on the parties' responses to those.

My provisional decision

Whilst our investigator had already recommended the complaint should be upheld, I thought Investec should refund more fees that he had recommended. So I explained why. I firstly thought about the service provided by the financial planning manager. Then I went onto consider whether Investec was responsible for a delay in the investment going ahead and, if it was, whether the calculation Investec used was fair and reasonable. I've copied the content of my provisional decision below:

> *Was the involvement of a financial planning manager required?*
>
> *When Mr and Mrs H first approached Investec for advice in April 2020, they only wanted advice about investing a lump sum and they approached an Investec wealth manager who they knew personally. They didn't go ahead with the recommendations in April 2020. But they contacted the wealth manager again towards the end of that year when markets weren't so volatile. On this occasion, the wealth manager suggested Mr and Mrs H sought advice from a financial planning manager first. I think this was appropriate. I say that because Mr and Mrs H had a considerable sum available to invest following the sale of Mr H's business and this represented a significant change in their financial circumstances. And they also wanted their existing pension arrangements reviewed which the wealth manager couldn't have done. The discussions with the financial planning manager may have altered the amount they had available for investment and may have altered the recommendation for how that money was invested, having looked at their wider circumstances. And I can see this was the case – in April 2020 they wanted to invest £1 million but, after the discussions with the financial planning manager, they decided to invest £2 million.*
>
> *Did the financial planning manager provide the agreed service?*

The initial financial planning proposal outlined Mr and Mrs H's agreed goals and objectives and proposed strategy. This included:

- *Writing Wills and making lasting powers of attorney.*
- *Finding appropriate insurance policies to provide financial support in the event of death or inability to work.*
- *Investing in ISAs to utilise their annual subscriptions.*
- *Making additional pension contributions to make full use of their allowances.*
- *Investing their surplus cash in a general investment account in Mrs H's sole name, to make use of her lower tax rate and exemptions.*
- *Reviewing existing pension arrangements.*

It was noted that the investment should be ethical.

This proposal was sent to Mr and Mrs H on 7 December 2020 with forms to sign if they wanted to go ahead and receive recommendations. Mr and Mrs H returned the forms on 20 March 2021.

The financial planning manager completed his recommendation letter on 27 April 2021 but didn't send it to Mr and Mrs H until 10 June, after Mr and Mrs H had contacted him on several occasions. I find there was an unreasonable delay in Investec providing its recommendation letter and it should have been sent on 27 April.

The letter recommended:

- *Investment of £2million in a general investment account in Mrs H's name managed on a discretionary basis, in line with Mrs H's medium attitude to risk, and on an ethical basis.*
- *Mr and Mrs H each invest £20,000 in a stocks and shares ISA, managed by Investec on a discretionary basis.*
- *A full review of Mr and Mrs H's pension arrangements.*

There was no mention of Wills or powers of attorney, but I can see an introduction was made to a recommended solicitor after Mr H spoke to the financial planning manager in October 2021.

There was no mention of insurance policies. I've not seen any evidence that the financial planning manager made any recommendations, even though this had been identified as a need.

Investec has acknowledged that, even though the financial planning manager asked for information about Mr and Mrs H's pensions, a review wasn't carried out. Whilst, following Mr and Mrs H's complaint, Investec offered for a different financial planning manager to carry out this review, I think by this stage Mr and Mrs H had, not unreasonably, lost faith in Investec and didn't agree to go ahead.

In summary, I find the financial planning manager didn't provide the service he said he would. And some aspects of the service that were provided were only delivered after some delay and in response to Mr H having to make contact on several occasions.

Given I've found Mr and Mrs H received poor service, and some aspects of the agreed service weren't delivered at all, I've considered whether the fees Investec charged were fair. And I've gone onto consider whether the poor service led to a financial loss for which Mr and Mrs H should be compensated.

The financial planning fees

The fees were set out in Investec's letter dated 7 December 2020.

1. Initial advice fee

This was for the preparation and presentation of Investec's formal recommendations. Investec agreed to waive this fee, provided Mr and Mrs H proceeded with the advice. As Mr and Mrs H didn't pay this fee, I find I don't need to consider it further.

2. The financial planning implementation fee

Mrs H's GIA was debited with £5,000 for the financial planning manager's "implementation fee". Investec said this covered:

"…the professional arrangement of any financial products that I have recommended in my initial advice. My team and I will also arrange and manage the transfer of any existing plans as required. We will act for you in the following ways:

- *Handle all fund and policy administration on your behalf;*
- *Provide regular updates to keep you informed of progress;*
- *Ensure all your documents are issued in line with expectations; and*
- *Provide confirmation of all actions taken on your behalf."*

I've seen evidence that the financial planning manager provided an introduction to a solicitor for the purposes of Mr and Mrs H giving Will and power of attorney instructions, albeit this was only after Mr H got in contact.

There was liaison with Investec's wealth manager to set up the GIA and ISAs, but this was only after Mr H got in contact with the wealth manager because he was concerned about the delay. And, following that, it seems that the financial planning manager's involvement in setting up the GIA and ISAs was minimal – he certainly didn't provide any updates to Mr and Mrs H, this was all dealt with by the wealth manager.

Enquiries were made to Mr and Mrs H's pension providers, but no advice or recommendations materialised from the financial planning manager.

I don't find the service the financial planning manager provided matched the description of the "implementation fee" Mr and Mrs H paid.

I think Mr and Mrs H should reasonably pay something for the introduction to the solicitor and for the administration completed to set up the GIA and ISAs – although I think this was minimal, with the majority of the work being carried out by the wealth manager. Investec hasn't provided a breakdown of the implementation fee, so it's not clear how much Mr and Mrs H should pay for the service they did receive. After careful consideration, I consider it would be fair and reasonable for them to pay £500 and Investec should refund £4,500 of its implementation fee.

As the fee was debited to Mrs H's GIA on 26 October 2021, she's been without the money since then, so Investec should pay interest on the amount it refunds at 8% simple per annum.

3. The on-going financial planning fee

Mrs H's GIA was debited with £2,275.45 on 8 December 2021 for on-going financial planning advice. Investec said this covered:

"… the provision of comprehensive Financial Planning, which supports you throughout each year as we work together towards your stated goals. This includes regular financial advice and review meetings to ensure that your Financial Plan remains appropriate to your personal circumstances and the external environment (such as any changes in legislation and market conditions".

In its final response letter, Investec accepted that its financial planning communications "faltered" in July 2021 and that there was little evidence of communication improving after this. Even after a further phone call took place in October 2021 to discuss the outstanding issues, Investec admits "communication stalled once more".

It seems that it was Mr H who was trying to drive the communication with the financial planning manager. But Investec was slow to respond or didn't respond at all. I can't see that the service Mr and Mrs H received matched the description of the service they were paying for.

I think it's fair that the on-going fee is refunded in full because of the lack of service provided.

As the money was debited to Mrs H's GIA on 8 December 2021, she's been without the money since then, so Investec should pay interest on the amount it refunds at 8% simple per annum.

Have Mr and Mrs H made a financial loss for which they should be compensated?

Investec didn't provide the review of Mr and Mrs H's pensions arrangements as agreed. I can't say what the recommendations of any review might have been, so it's difficult to quantify whether Mr and Mrs H have lost out as a result of Investec's failure. Investec established that Mr and Mrs H's pensions were both fully invested and that they had made the maximum allowable contributions. So I don't think there was any scope for making further contributions and I've not seen evidence to show that Mr and Mrs H lost out because they didn't receive the advice they'd requested. And Investec offered to provide the pensions advice through a different financial planning manager in response to their complaint, although Mr and Mrs H declined. In the circumstances, I don't find Investec needs to do anything more.

Investec didn't provide insurance recommendations for policies to provide financial support in the event of death or inability to work, even though this had been identified as a need. But I've not seen evidence that Mr and Mrs H could have made a successful claim on these types of policies, so I don't find they've made a financial loss that should be compensated.

Should the investment in the GIA and ISAs have taken place earlier?

As noted above, and as set out by our investigator, the financial planning manager should have issued his initial recommendations on 27 April 2021, but he didn't send them until 10 June. So there was a delay of 44 days.

And I agree with the investigator that there was a further delay in issuing the final recommendation for the GIA and ISA investments which was partly caused by the wealth manager failing to fully take into account Mrs H's request for an ethical approach to her investment.

So I find Investec should have carried out the investments in the GIA and ISAs 62 days earlier than it did. Mr and Mrs H say the delay was greater because the financial planning manager needn't have been involved at all. But I've already set out above why I don't agree with that.

Compensation calculation for the delay in investing

Mr and Mrs H don't agree with the way Investec completed the calculation.

Firstly let me explain that having found Investec responsible for a delay in implementing the investment, my aim is as far as possible to put Mr and Mrs H as close to the position they would probably now be in if the delay hadn't occurred. In cases like this, it's not always clear to conclude exactly what would have happened. I have to consider the overall circumstances and decide on a redress calculation that I think is fair and reasonable.

The investigator recommended that

"Investec should calculate the position as if the investment(s) concluded 62 days earlier. They should assume the investment recommendation was the same but review the unit prices for all the different funds etc as of 62 days earlier. If Mr & Mrs H could have bought additional units, with the same amount of funds, at this earlier date, then the delay has caused them to lose out and they should be compensated…it may be that the composition of the portfolio has changed since the initial investment. It would be fair for Investec to assume the portfolio would have been managed the same way for the purposes of the calculation; working out where the portfolio now 'ought to be' had funds been invested 62 days earlier".

And Investec carried out the calculation, taking into account that the individual investments were staggered, and a proportion of the investment remained in cash, rather than the entire lump sum being invested immediately.

I agree this is a fair and reasonable way to complete the calculation for the following reasons:

- *Using an index for the purposes of the calculation isn't a fair comparison. My conclusion isn't that Investec should have invested differently, rather that the investment which took place from September onwards should have taken place* *earlier. And whilst it's possible that the passage of time may have changed some of the specific investments, the GIA and ISAs, and the investments within them, were intended for the long term. So, overall, the individual investment recommendations were unlikely to change that much. So I find taking the individual investments and effectively back-dating them, is the fairest method.*

- *A proportion of Mr and Mrs H's investment wasn't invested immediately. It was suitable for some money to remain uninvested for future investment opportunities and it's fair that this isn't included in any calculation. Prior to the investment with Investec, the money was held on an interest-bearing account, so I don't find the delay in the money coming under Investec's management caused any financial loss.*

- *It's usual for an investment manager to stagger an initial investment. And Investec told us this is their usual approach. So, in completing the calculation they took the actual date of each individual investment and backdated it by 62 days. Whilst this is unlikely to be precisely what would have happened if the investment hadn't been delayed, I think this approach broadly reflects the fact that the investment would have been staggered and wouldn't have taken place in its entirety on the same day.*

I'm satisfied that, having completed the calculation on this basis, Investec found no financial loss had been incurred, even taking into account any income that would have been received on the investments during the 62-day period. This means that more units were bought for Mr and Mrs H than they would have obtained if the delay hadn't occurred.

Compensation for distress and inconvenience

Investec recognised that its poor service had caused Mr and Mrs H distress and inconvenience. It offered to pay them £500 compensation and I consider this to be fair and reasonable.

Responses to my provisional decision

Both parties accepted my provisional decision. Investec said I hadn't mentioned the dividends Mr and Mrs H missed out on. It had previously calculated these to be £4,054.76 and it would add this to the amount I said it should pay.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'd like to thank Investec for highlighting the missed dividends. I agree with its calculation and this should be paid to Mr and Mrs H.

As both parties have accepted my provisional decision, aside from the missed dividends being added to the compensation, I find no reason to depart from my previous conclusions.

My final decision

My final decision is that Investec Wealth & Investment Limited should:

1. Refund £4,500 of its implementation fee.

2. Refund its on-going financial planning fee of £2,275.45.

3. Add interest to the fee refunds set out in 1 and 2 above at 8% simple per annum from the date the fees were debited to the date of settlement. *

4. Pay Mr and Mrs H £4,054.76 in respect of the dividends they missed due to the delay in investing.

5. Pay Mr and Mrs H £500 compensation for the distress and inconvenience caused.

* HM Revenue & Customs requires Investec Wealth & Investment Limited to take off tax from this interest. Investec Wealth & Investment Limited must give Mr and Mrs H a certificate showing how much tax it's taken off if they ask for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 29 February 2024.

Elizabeth Dawes
Ombudsman