

The complaint

Mr G complains that St James's Place Wealth Management Plc ("SJP") gave him unsuitable investment advice. He says SJP didn't carry out due diligence on the investment it recommended and that the risks of the investment, and suitable alternatives, weren't discussed.

The complaint is brought on Mr G's behalf by a third party. For ease of reading, I'll refer to everything as if it's been said by Mr G.

What happened

In November 2018 Mr G invested £400,000 in SJP's "Inheritance Tax Services" ("ITS") following a recommendation from his SJP advisor. The investment was in business relief qualifying assets spread across three third party providers. £100,000 was invested in a discretionary portfolio management service (known as an "estate planning service" or "EPS") with a third party who I'll refer to as "O". In February 2019, the EPS was suspended due to difficulties in valuing one of the underlying assets. Shortly afterwards O's EPS was permanently closed.

Mr G says that, had SJP carried out sufficient due diligence in 2018, it wouldn't have recommended investment in O. His investment lost 75% of its value and SJP should be held liable for the loss.

SJP said that, before it recommended O to Mr G, it had conducted substantial due diligence and it couldn't be held responsible for the performance of O. It said Mr G wanted to reduce his IHT liability in as shorter space of time as possible, whilst retaining access to income and capital, and that he'd been made aware of the risks involved in investing in business relief investments. It apologised that it had taken 18 months to investigate and respond to Mr G's complaint and it offered him £250 as a gesture of goodwill.

Our investigator thought SJP's offer for the delay in responding to Mr G's complaint was reasonable. But she didn't think SJP had done anything else wrong – she was satisfied that SJP had carried out significant due diligence on O before recommending it.

Mr G didn't agree. He said, in summary, that:

- SJP identified concerns about O in January 2018 and spent nearly a year carrying out enhanced monitoring. Any investment in O should have been suspended during this time.
- SJP knew some of O's investment assets hadn't performed as expected and yet it continued to recommend O to its clients.

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 find I have come to the same conclusion as the investigator for the following reasons:

With the help of SJP's advice, Mr G had already put measures in place to try to reduce his estate's liability to inheritance tax. When he met with SJP in 2018, it was with the specific intention of reducing his liability further. He had recently sold his home and had £400,000 in a deposit account available for investment. Whilst he was in good health, given his age, he wanted to reduce his IHT liability in as shorter space of time as possible. The advisor noted that:

"Main priority at the moment is to invest excess cash on deposit into ITS to get the 2 year clock ticking for IHT savings."

Whilst I can't say exactly what was discussed during the meeting I'm satisfied, from what was recorded at the time on the fact find and in the suitability letters, that the advisor reviewed Mr G's finances and circumstances in some detail. Whilst the recommended investment still allowed Mr G access to the capital and income, I find SJP ensured Mr G was still left with enough readily available cash for his day to day living and any unforeseen expenses.

I'm also satisfied that alternative options were discussed, such as another whole of life plan, gifting, and other IHT planning solutions. But these weren't recommended as none met Mr G's specific need, or had disadvantages which outweighed any advantage.

The recommended investment was in unquoted companies which qualified for business relief, meaning they would be exempt from IHT after two years. I find this recommendation met Mr G's specific investment objective.

Mr G had been assessed as having a medium attitude to risk. I can see from the fact find notes and the suitability letters that his attitude to risk and the risk of the recommended investment was discussed in some detail. I think the advisor made it reasonably clear that the investment was high risk. But that Mr G was prepared to accept the higher risk – for this investment only - to meet his specific objective.

Mr G also signed SJP's *"business relief investments client declaration"*. I won't repeat that declaration here, but I'm satisfied it clearly set out the higher risk of the investment, including the liquidity risk and the fact that Mr G *"could get back significantly less than was originally invested"*. So I find Mr G knew the risk he was taking with the investment. And I'm satisfied he could afford to lose money in the investment without affecting his standard of living.

Whilst the investment was high risk, SJP spread that risk by recommending three providers. That meant that, whilst Mr G's investment in O lost 75% of its value, it represented an 18% loss of his total investment, and gave the opportunity for that loss to be recouped by the performance of the other providers.

Whilst I'm satisfied Mr G understood and was capable of making his own decisions, SJP identified that he was potentially vulnerable because of his age. I can see that his son attended all the meetings with him in 2018 and that he was copied in on all correspondence. And, whilst I don't know the detail of what was said in the conversations, I can see SJP phoned Mr G's other children to explain its recommendations prior to Mr G going ahead. So I find SJP did enough to protect Mr G if he was vulnerable. And, in view of his reason for wanting to invest, I think it was reasonable for his children, who I understand will be the beneficiaries under the terms of his will, to be aware of what Mr G was doing. There's no

evidence that any of them raised any concerns at the time.

Having explained why I think the investment met Mr G's investment objectives, and that he understood, and had agreed to take, the risks involved, I've gone on to consider the recommendation of the investment provided by O and, specifically, whether sufficient due diligence checks on O were carried out by SJP. And also whether SJP should have reasonably realised when it recommended the investment to Mr G that there was a significant problem which would lead to the investment being suspended a couple of months later.

The initial due diligence of O was carried out by an independent third party. And this was updated every 12 to 18 months. I find the report was sufficiently detailed for SJP to reasonably place reliance on its findings. SJP then carried out its own due diligence checks, including regular meetings with O's management, to satisfy itself that the investment should remain on its recommendation list.

In January 2018, when valuations of energy infrastructure investments had fallen in general, SJP took additional steps to review the sector and to increase its monitoring of the investments. I don't find it was in receipt of any information or analysis which would reasonably have caused it to remove investment in this sector from its recommendations list. Neither do I find the general fall in valuations could have reasonably led SJP to foresee the specific problem with O which led to trading being suspended around a year later.

Trading was suspended in February 2019 because of difficulties in valuing one of O's underlying assets. In brief, the holding company had provided construction finance to a plant, but the plant experienced difficulties due to poor design and construction. Whilst O was aware of this prior to February 2019, the loan wasn't judged to be at risk. It was only in February that O became aware that the construction company had refused to accept liability for the repair costs and the debt was judged to be impaired. I'm satisfied that when SJP recommended investment in O to Mr G in November 2018, it (and O) wasn't aware that there were such serious difficulties and it was reasonable for it to place reliance on O's share valuation which had been valued using industry-wide valuation guidelines.

Overall, I find SJP carried out sufficient due diligence and couldn't have reasonably foreseen that trading would be suspended in O, until it was announced.

I'm not unsympathetic to the position in which Mr G finds himself. Whilst I've found he understood and accepted the risk of the investment, it must still have been a shock to realise he'd lost so much of his investment in such a short period of time. But, for the reasons I've explained, I'm satisfied that SJP isn't responsible for his loss.

SJP took too long to respond to Mr G's complaint. But it's apologised for this and offered to pay him £250. I consider this to be fair and reasonable in the circumstances.

My final decision

My decision is that St James's Place Wealth Management Plc should pay Mr G £250, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 March 2024.

Elizabeth Dawes
Ombudsman