

The complaint

Mr E complains that Forester Life Limited trading as Foresters Financial ("Forester") provided him with incorrect information about the investment options available in two Child Trust Funds ("CTF") that he managed on behalf of his children.

What happened

Mr E was responsible for the management of two CTFs that were held with Forester. He operated those CTFs on behalf of his children, that I will call Child 1 and Child 2. Child 1 was born in 2006 and Child 2 in 2008.

The administration of the CTFs moved to Forester from another provider in 2017. At that time both CTFs were invested in different stakeholder funds that had been selected at the time the CTFs were opened in 2006 and 2008. When the administration change took place Forester offered Mr E the opportunity to move the investments to one of Forester's own funds instead. Mr E appears to have chosen to leave the funds in their existing investments.

HMRC regulations require CTF stakeholder investments to operate a lifestyling approach. That means that when a child reaches 15 years of age the investments start to be altered to reduce their volatility leading up to the time at which the CTF proceeds can be taken at age 18. The lifestyling changes take place around the child's 15th, 16th and 17th birthdays.

Mr E met with two advisors from Forester via a video call in December 2022. Forester's notes from that meeting say that Mr E only asked for information on that call, rather than advice. But he was told that he would be able to instruct Forester to make changes to the funds in which the CTFs were invested. Mr E made a request of that nature in March 2023 but his request was rejected as switching was not something offered by these CTFs.

Mr E complained to Forester about the incorrect information he'd been given. And in particular he complained that, had he been aware that fund switching was not permissible, he would not have agreed to the implementation of lifestyling on the two CTFs.

Forester apologised to Mr E for the incorrect information he had been given in December 2022. And it offered him £25 for the inconvenience he'd been caused. But Forester said that it had written to Mr E before lifestyling commenced on either CTF – in January 2021 in relation to Child 1's fund, and February 2023 in respect of Child 2. It said that the lifestyling changes that had already happened could not be reversed. But it did arrange for the second and third lifestyling changes due on Child 2's CTF to be cancelled. Unhappy with that response Mr E brought his complaint to us.

Before Mr E's complaint was looked at by one of our investigators, Forester said that it wished to increase its compensation offer to £100. And it said that it had looked at the impact of the lifestyling actions on Child 1's CTF. It said that those changes had actually resulted in the CTF having a marginally higher value than if no changes had taken place.

Mr E's complaint has been assessed by one of our investigators. They thought that Forester had correctly applied the terms of the CTFs. And, although they agreed Forester had given

Mr E some incorrect information in December 2022, they thought the information he'd been sent about the start of lifestyling on Child 2's CTF might have prompted him to request those changes weren't implemented. The investigator thought that the £100 Forester had offered Mr E for his inconvenience was fair.

Mr E didn't agree with that assessment. So, as the complaint hadn't been resolved informally, he asked that it be passed to an ombudsman to decide. Forester has told us that whilst Mr E has been waiting for his complaint to be allocated to an ombudsman he has accepted its offer of £100 compensation in full and final settlement of the complaint. This is the last stage of our process. If Mr E accepts my decision it is legally binding on both parties.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr E and by Forester. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

I think I should first touch on what has happened since our investigator sent his assessment of the complaint. Mr E has sent an acceptance form to Forester, accepting £100 in full and final settlement of his complaint. As I will go on to explain in this decision, I agree with the investigator's assessment, and would too have directed that Forester should pay £100 to Mr E. So I think it reasonable that I continue with my findings, despite the acceptance that has been sent to Forester.

There seems to be little disagreement that the information given to Mr E in December 2022 was incorrect. I don't think I need, in this decision, to explore further the background to that meeting or, as Forester suggests, whether any time pressures imposed by Mr E limited the information it could provide. Quite clearly, Forester provided Mr E with an inaccurate explanation of the steps he could take to manage the investments of the two CTFs.

Ultimately Mr E had very few choices that could be made. The funds into which the CTFs were invested had been set when they were first taken out. He had been given an opportunity in 2017 to switch to one of Forester's own funds, but no changes were made. And after that, the funds would either continue to be invested in the original fund, or have changes applied as a result of the lifestyling approach. There were no other fund choice options that were available.

I appreciate that wasn't the information that Mr E was given in December 2022. But apart from the changes due to lifestyling, that I will now go on to discuss, the terms of the CTF didn't allow him to make investment changes. So whilst I have no doubt the incorrect information will have been disappointing, and most likely caused some inconvenience to

Mr E, I don't think it means that he should be entitled to make the changes he requested in March 2023.

As I have previously explained, HMRC rules require lifestyling changes to start to be made to CTF stakeholder funds as the child reaches their 15th birthday. Those changes are preceded by Forester sending a letter to the person responsible for managing the CTF offering the option to not implement a lifestyling approach. But any changes that are made are then irreversible, although the letter explains future changes can be cancelled at any time up to the child's 16th and 17th birthdays.

The lifestyling changes take place around the time of the child's 15th, 16th, and 17th birthdays. So for Child 1, the first two changes had taken place before Mr E spoke with Forester in December 2022 – the changes were made in February 2021 and February 2022. The final change for Child 1 was due to take place in February 2023, and lifestyling for Child 2 was due to start in April 2023. Mr E was told about the upcoming start of lifestyling for Child 2 in a letter that was sent in February 2023.

Mr E had not requested that lifestyling not be implemented for Child 1 when he was sent the letter in 2021. And, rather than request that lifestyling not take place for Child 2, he waited until after the first implementation before making the fund switch request. So it is difficult for me to conclude that the only reason lifestyling was added to either plan was because of the incorrect information Mr E was given in December 2022. So I'm not persuaded it would be reasonable to conclude that the incorrect information has caused Mr E to act differently, or that doing so has caused a loss.

Forester told us in January that Child 1's CTF actually had a higher value than it would have had if no lifestyling been applied. I accept that might not have been the case when the CTF ultimately matured the following month. But I think any difference in value would have been marginal. I only say that to hopefully allay some of Mr E's concerns – as I have not found that Forester's misinformation was the reason lifestyling was applied I wouldn't have required it to make up any shortfall in value the lifestyling might have caused.

I also appreciate that Mr E might find the investment approach for Child 2's CTF to be inappropriate. As I said earlier, the lifestyling changes due on Child 2's 16th and 17th birthdays have been cancelled. But whilst the CTF remains with Forester, Mr E is unable to make any further changes to the investment approach. He is however able to transfer the CTF to another provider and that might allow him to make any investment changes he wishes.

It does seem clear that the incorrect information given to Mr E in December 2022 has caused him some distress and inconvenience. So I think it right that he receives some compensation in that regard. I have thought carefully about the offer Forester has made, of £100 compensation, and concluded that is fair and reasonable in the circumstances here. So, unless it has already done so, Forester should pay that amount to Mr E.

I appreciate that my decision will be disappointing to Mr E. But the CTFs have never offered him the investment flexibility that he hoped for when he made his request in March 2023. He was given some incorrect information by Forester, but I'm not persuaded that is the reason lifestyling was implemented on the two CTFs.

Putting things right

Forester should, unless it has already done so, pay £100 to Mr E for the distress and inconvenience he was caused by the incorrect information he was given in December 2022.

My final decision

My final decision is that I uphold part of Mr E's complaint and direct Forester Life Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 8 May 2024.

Paul Reilly
Ombudsman