

## **The complaint**

Mr U complains that he received unsuitable investment advice from Quilter Financial Services Ltd.

## **What happened**

Mr U received investment advice from an advisor who was an appointed representative of Quilter in 2023. He'd sought advice on the best way to invest a capital sum of c.£360,000 he'd accumulated from savings, a redundancy payment and an inheritance.

The advisor assessed him as having a moderate attitude to risk (ATR) and advised him to invest 50% of the capital sum into the BNY Mellon Newton Multi-Asset Balanced Fund and 50% into the Ninety One Funds Global Macro Allocation Fund.

Mr U accepted the recommendation but complained to Quilter a few months later as he thought he'd received unsuitable advice. Quilter looked into the concerns he'd raised but didn't think they'd done anything wrong as in their opinion the recommendation was suitable for Mr U's circumstances and objectives at the time.

Mr U didn't accept their findings and asked for our help. He made the following points, in summary:

- He'd wanted independent advice, not advice from an advisor he'd later found out was tied to Quilter.
- He'd wanted to invest in property as per his late father's advice. He gone to the advisor as he was unsure about residential vs student rental accommodation, but the advisor hadn't listened to him.
- Due to ill health, he could only work two days a week and needed monthly income, but the advisor hadn't recommended an investment that provided income.
- The unsuitable recommendation had resulted in a loss of over £20,000 in a few months which had caused him a significant amount of stress.

The complaint was considered by one of our investigators who didn't uphold it. The investigator was of the opinion that the recommendation wasn't unsuitable. He thought that despite Mr U's preference for a property-based investment, the recommendation Quilter had made was based on their discussions with Mr U, in line with his ATR and met his stated objectives. He noted that Mr U had been given time and space to consider the advice before the investments were put in place and they only went ahead after he'd confirmed he was happy with the advice.

Mr U didn't accept the investigator's findings. He thought that the advisor had incorrectly assessed his needs and pointed to a document he'd sent to the advisor which showed a lower income than what was recorded. He also reiterated that the advisor hadn't made it clear that they were representatives of Quilter.

The investigator wasn't persuaded to change his opinion so the complaint has been passed to me to make a decision.

### **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 don't think this complaint should be upheld and I will now explain why.

I've firstly considered Mr U's concerns about the advisor not being independent but from what I've seen, he made Mr U aware of this. The suitability letter he sent Mr U said:

*"In the Terms of Business, I provided you with, it explains that after assessing your needs we make a recommendation, but we only offer advice on limited types of products, or products from a limited number of companies. However due to your current needs and objectives to maximise the growth potential of your investment portfolio via high performing investment funds I have had to research the wider market to make the appropriate recommendation as outlined in my report below."*

I've then thought about Mr U's circumstances at the time of the sale. The fact find that Quilter completed in February 2023 showed that he was 57 years old, had no dependents, owned his own house outright and didn't have any liabilities. He worked part-time with a net income of around £3,000 per month and expenditure of £1,500 per month. He had c.£390,000 in savings accounts (mainly from an inheritance) and £3,500 in premium bonds.

He was assessed as having a Moderate ATR which was defined as:

*"Moderate investors typically have a degree of knowledge about financial matters. They usually have some experience of investment, including investing in products containing higher risk assets such as equities."*

*In general, Moderate investors understand that they have to take investment risk in order to be able to meet their long-term goals. They are likely to be willing to take risk with a high proportion of their available assets."*

*Moderate investors will usually be able to make up their minds on financial matters relatively quickly, but still suffer from some feelings of regret when their decisions turn out badly."*

Having considered the available evidence, I'm satisfied that Mr U was in a position where he wanted to take some risk with his capital. I've listed some of the questions he was asked during the risk assessment process and his responses which I think demonstrates this:

- *I generally look for safer investments, even if that means lower returns - Disagree*
- *Usually it takes me a long time to make up my mind on investment decisions - Disagree*
- *I generally prefer bank deposits to riskier investments - Disagree*
- *I tend to be anxious about the investment decisions I've made - Disagree*
- *I'd rather take my chances with higher risk investments than have to save more - Agree*

- *I'm not comfortable with the ups and downs of stock market investments – Disagree*

I've noted the points Mr U has made about the reason he sought advice. He's said he specifically wanted to invest in property and only wanted advice around whether he should invest in residential or student property.

From what I've seen, the advisor didn't think it was suitable to only invest in property due to a lack of diversification. Instead, he recommended investments that were comprised of a variety of different asset classes. I don't think this was an unreasonable course of action as exposure to a wider range of asset classes would help to mitigate losses if one asset class were to suffer a fall in value. I've reviewed the investments that were recommended and think they were in line with Mr U's ATR and provided diversification. Therefore, I don't think I can fairly say that they were unsuitable for Mr U's circumstances at the time.

I've considered the points Mr U has raised about his needs being incorrectly assessed as he needed an income. I've reviewed the document he sent us which he gave to the advisor before the recommendation. It states his income varies between £2,000 - £6,000 per month with £2,000 being permanent income with additional income of up to £4,000 from ad hoc contracting work. It also listed his investment requirements as:

- 1. Invest lump sum to produce an income index linked (or thereabouts)*
- 2. Ideally investment increases in value, although 1 take priority*
- 3. Inheritance tax optimisation*

So, I don't dispute Mr U's assertion that he required an income when he sought advice. But it's not uncommon for an investor's requirements to change once they've had a full discussion with an advisor. In this instance, the advisor weighed up Mr U's income and expenditure requirements and determined that he didn't need extra income and would be better off investing for capital growth. While I appreciate that Mr U's income was variable, he still had monthly disposable income of c.£500 based only on his permanent income. Therefore, I don't think it unreasonable that the advisor didn't recommend an investment that paid a monthly income.

I can also see that the advisor explained his rationale and gave Mr U time to think about the recommendation before the investments were put in place. He also made it clear that this was a long-term investment and the shorter the term was, the more unlikely it would be that there would be a good return and there could even be a loss in the short term.

So, after having taken everything into account, and while I appreciate that this will come as a disappointment to Mr U, I'm not persuaded that the advisor's recommendation was unsuitable and therefore I won't be upholding this complaint. I think that the recommendation was appropriate for his ATR and wider circumstances at the time, left him with enough capital for emergencies and provided the opportunity for capital growth.

### **My final decision**

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 28 October 2024.

Marc Purnell

**Ombudsman**