

## **The complaint**

Mr N complains that Financial Administration Services Limited (“Fidelity”) has failed to manage his ISA in a prudent manner.

## **What happened**

In 2007 Mr N received advice from another regulated firm regarding the investment of some money he had received from an inheritance. That advice resulted in Mr N opening an ISA with a firm I will call L, and investing his monies into a single fund managed by L. Mr N says that his investment had performed well over the years and he was happy with both the original advice he was given and the investment performance of his ISA.

In 2020 L decided that it would not continue to offer the administration of ISAs to its customers. So it arranged for Fidelity to take over the affected accounts. L wrote to its customers in March and May 2021 to confirm the transfer would be taking place later that year, and providing some options for its customers if they didn’t want their accounts to be administered by Fidelity.

Mr N’s ISA was transferred to Fidelity in September 2021. As part of the transfer agreement Fidelity confirmed that the total charges paid by investors (to Fidelity for its administration of the ISA and to L for the fund management) would not increase for at least a year.

Mr N complained that following the transfer, in early 2022, the value of his investments fell. He said that this was due to the way in which Fidelity had managed his investments and the charges that it had required him to pay.

Fidelity didn’t agree with Mr N’s complaint. It pointed out that the management of his actual investment still sat with L. Fidelity said that it was simply acting as an execution only platform and couldn’t given Mr N any advice about the suitability of his investments. It said any changes in the value of Mr N’s ISA were outside of its control. And it said its charges were reasonable for the services it provided. Unhappy with that response Mr N brought his complaint to us.

Mr N’s complaint has been assessed by one of our investigators. She thought that Fidelity had met its agreement to not increase the overall charges that Mr N was paying for his ISA within 12 months of the transfer being made. And she thought that the charges Fidelity had asked Mr N to pay were reasonable. The investigator reminded Mr N that it was L that was responsible for the performance of the fund into which his savings were invested. So the investigator didn’t think Mr N’s complaint should be upheld.

Mr N didn’t agree with that assessment. So, as the complaint hasn’t been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

## **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 N and by Fidelity. 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 ("FCA"). 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.

Mr N has made a separate complaint about the actions of L preceding the transfer. I am dealing with that complaint in a separate decision. So here I will only be considering the actions of Fidelity after the transfer. But given the natural overlap between the two complaints I am sure Mr N will understand why parts of the two decisions are similar.

I think it might first be helpful to clearly set out the mechanics behind Mr N's investment. Since 2007 his monies have been invested in a single investment fund that was managed by L. The fund was described as being for investors looking for a high income or growth from an investment in bonds. Mr N's investment was held within an ISA that was also administered by L. Mr N paid a single charge, via the fund administration charges, for both the management of the investment and the administration of his ISA.

Mr N's ISA was transferred to Fidelity in September 2021. At that time Fidelity became responsible for its administration. But, importantly here, Fidelity had no involvement in the selection or management of any investments that Mr N held within his ISA. Fidelity simply provided Mr N with a platform on which he could hold his ISA investments, and the necessary reporting and administration that went with it.

Fidelity did not offer its customers any advice on their investments. So it was for Mr N to ensure that he remained happy with the investments he held. But I would note here that Mr N's investments didn't change in any material way (save for the charging methods I will discuss below). So any changes in their value were not as a result of the transfer – they were simply a reflection of the market conditions during 2022.

Whilst Mr N's ISA was held with L he paid a combined charge for the management of the investment fund he held, and the administration of his ISA. That charge was taken by a deduction in the quoted price of the investment units. But, when Mr N's ISA moved to Fidelity the charges needed to be split across the two providers. Fidelity would make a charge for the administration of the ISA, and L would collect a charge for the management of the investment fund.

Those changes were clearly set out for Mr N in the information he was sent by L and by Fidelity at the time of the transfer. The charge that was payable to Fidelity would now be taken from the ISA cash account, rather than being reflected in the value of the investment. But, importantly, L and Fidelity worked together to ensure that the total charge that would be payable by Mr N would not be greater than the previous charge he was paying to L. Fidelity committed to maintain that arrangement for at least 12 months.

I can see that Fidelity wrote to Mr N in December 2022 to warn him that the discounted fee period would end on 1 February 2023. Given that the transfer took place in September 2022 it is clear that Fidelity met its promise to not increase the fees being charged for the ISA and its investments within the first 12 months.

I appreciate how disappointing my decision will be for Mr N – it is never nice to see falls in the value of savings that are held. But Fidelity had no control over the investments that Mr N held in his ISA, or their performance. The charges that it levied were in line with the schedule that was set out at the time of transfer. And, until they were increased in February 2023, the charges Mr N paid, to both Fidelity and L as the manager of the investment fund, were not higher than he had paid before the transfer.

### **My final decision**

For the reasons given above, I don't uphold the complaint or make any award against Financial Administration Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 31 May 2024.

Paul Reilly  
**Ombudsman**