DRN-4748950

The complaint

Mr C has complained about the management of his investments and the service, support and advice he and his late wife received from Cambourne Financial Planning Limited ('Cambourne'). As a result, he says he has suffered a financial loss which he wants returned to him.

What happened

Mr C and the late Mrs C met with Cambourne in 2021 and were given advice to invest just under £130,000 into collective investments and two AIM portfolios, the latter for inheritance tax ('IHT') mitigation. The investments went ahead in March 2022.

Mrs C has sadly since died.

Mr C became dissatisfied with the advice and service he had received and raised his concerns with Cambourne. Cambourne responded to the complaint on 14 November 2023. It said;

- Mr and Mrs C held £370,000 in cash and £147,000 in cash ISAs and they only wanted to transfer their cash ISAs and keep the remainder on deposit.
- Mr C had some investment experience in equity based products and Venture Capital Trusts (VCTs) and Enterprise Investment Schemes ('EIS') and had done through times of volatility.
- Mr and Mrs C wanted to invest over the long term with a low-medium risk profile. They were concerned about the buying power of their capital and IHT liability.
- After the advice, Mr and Mrs C were still invested 64% in cash, and 21% in investment funds. Half of the investments were held in in AIM business relief funds and half in stocks and shares ISAs.
- Non AIM investments had been discussed but discounted. The short-term volatility of AIM investments was discussed and detailed in its suitability letter.
- It detailed its ongoing service and that the phasing of the ISA portfolio began in April 2022 and ended in February 2023, and it would normally arrange a review meeting one year post completion so around March 2024. Mr C could have called or arranged a meeting at any stage.
- It wouldn't consider the daily volatility of the investments and the funds were actively managed. Volatility affects all equity based investments. The investment environment had been tough. It wouldn't recommend a client pull out of an investment after less than a year.
- Mr C had accessed his portfolio values regularly – 49 times between February 2022 and October 2023 so there wasn't a lack of reporting. Valuations had been sent by the investment providers.
- The investments had been sold in October 2023 upon Mr C's instruction which had crystallised a loss of just under £15,500.

- It didn’t uphold the complaint.

Unhappy with the outcome, Mr C brought his complaint to the Financial Ombudsman Service.

Our investigator who considered the complaint didn’t think that Cambourne needed to do anything more. He said;

- Mr C was an experienced investor with a medium attitude to risk and wanted to invest over the longer term. The investments made were suitable and affordable.
- The markets had suffered a considerable downturn, but Mr C was investing over the medium/longer term.
- It had been Mr C’s decision to sell all his investments which were carried out when the values were low and had only been held for the short term.
- Mr C could contact Cambourne at any time to arrange a meeting or discuss any concerns which he did prior to selling his investments and was advised to wait.
- Cambourne used a third party platform for the investments but it was to manage the portfolio as agreed with Mr C and it would then instruct the platform to carry out any transactions. The investigator couldn’t agree that Cambourne had failed to honour the terms of the contract.
- The investments had fallen in value but that wasn’t because of the service received from Cambourne. The markets had suffered considerably but it wouldn’t have been right to adjust the investment strategy to mitigate that.

Mr C didn’t agree with the investigator. He said that Cambourne were contracted and paid to provide ongoing advice and support which it didn’t provide. All of Mr C’s investment experience was cash-based investments barring one which was arranged by his financial adviser. He wasn’t an experienced investor and the late Mrs C had not held numerous private pensions as had been stated. His primary requirement was for the purchasing power of his money to be maintained. He wasn’t aware he could manage the fund himself via the third party platform as he thought it was just Cambourne’s agent. He hadn’t been advised this was possible and questioned why he would pay an initial and ongoing fee if he was to manage the account himself.

Mr C asked for his complaint to be reviewed by an ombudsman, so it has been passed to me for 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.

After doing so, I’ve reached the same conclusions as the investigator and broadly for the same reasons. I’ll explain why.

We are an informal dispute resolution service set up as a free – to consumers – alternative to the courts. In deciding this complaint, I’ve focused on what I consider to be the central issues that are relevant to the outcome of the complaint, rather than commenting on every issue in turn. This isn’t intended as a discourtesy, rather it reflects the informal nature of our service and my remit. The issues I need to decide are the suitability of the advice for Mr C and the late Mrs C and did Cambourne provide the service it said it would and for which it was paid.

Cambourne has provided all the relevant documentation from the time the advice was given including the fact finds, attitude to risk questionnaires and key information documents. In particular I've relied upon suitability letters where the advice was formally provided to Mr and Mrs C. These include details relevant to Mr and Mrs C's financial circumstances and investment objectives at the time. I've given these significant weight – because they are consistent, were provided to Mr and Mrs C and an opportunity to correct them was given. On balance, I find these, more likely than not, to be an accurate representation of Mr and Mrs C's situation and priorities.

Mr and Mrs C's circumstances

Mr and Mrs C met with Cambourne in 2021. At the time they were both retired and Mr C was 77 years of age and Mrs C 79 years. They didn't have any financial dependents or liabilities. Mr C's health was 'good for age' and for Mrs C 'not great – numerous problems. Uses a wheelchair. [Mr C] is her carer.' They had state and private pensions which more than met their income needs.

In August 2021 Mr C provided Cambourne with a list of his own and Mrs C's assets. Mr C held;

- Cash based investments (ISAs, bank accounts etc) of £347,000
- National Savings Certificates (Index Linked) valued at £117,000
- Bullion and cash of £54,000
- Mobeus (private equity VCT investment) shares valued at £11,000.

Mrs C held;

- 'similar investments' of £194,000
- Investment bond valued at just over £20,000.

Mr and Mrs C jointly held;

- Investment bond valued at just under £30,000
- Including their house and car etc they had total assets of just over £1.1m.

In the risk questionnaire Mr C recorded that he held bank, building society and NSI products and direct stocks and shares and had 'bought without advice'. He had 'received advice when acquiring' 'other form of saving eg VCT, EIS…' which he also held.

Mr and Mrs C's attitude to risk

For this investment, Mr and Mrs C's attitude to risk was recorded as being medium. I have considered how this came about and how Cambourne made Mr and Mrs C aware of the varying levels of risk implicit in different investments. So, Cambourne needs to demonstrate that it gave suitable advice taking into account Mr and Mrs C's circumstances, understanding and knowledge after ascertaining their attitude to risk.

When they were first in touch with Cambourne in 2021 Mr and Mrs C said they didn't want to take any risks. In response to this the adviser's internal notes said;

> 'When we discussed this – they do not want to take [illegible] risk. Happy with a level of risk but not with something where they would lose all their money. They know interest rates are poor so no risk is not an option. They are happy to take some risk with a portion of their money.'

And the adviser emailed Mr and Mrs C on 27 July 2021 suggesting they consider taking more risk in order to meet their investment objectives;

> 'I know you are not keen on risk, but I am not sure the balance is quite right and perhaps you could consider taking a little more risk with a portion of the money.'

And in September 2021 Mr and Mrs C completed their attitude to risk questionnaires which categorised them as medium risk investors. For Mr C's he wrote at the bottom of the questionnaire 'I would expect to be Low-Medium.' In Mrs C's questionnaire she noted she was 'slightly surprised, expected low/medium, but some questions difficult to answer…' Cambourne categorises medium risk investor as;

> 'A Medium Investor is looking for a balance of risk and reward, and whilst seeking higher returns than might be obtained from a deposit account, recognises that this brings with it a higher level of risk and that the value of their investment portfolio may fluctuate in the short term. They would feel uncomfortable if the overall value of their investments were to fall significantly over a short period and would not be happy to see their capital eroded. A Medium risk investors portfolio will be medium risk overall, however it should be noted that it may contain elements that are higher or lower risk.'

The suitability letters sent in November and December 2021 further confirmed that the outcome of Mr and Mrs C's completion of the attitude to risk questionnaires was that they were medium risk investors. And the advice being given in those letters would provide them with a blended medium risk approach.

So, while Mr and Mrs C considered themselves to be low/medium risk investors their responses to the questionnaires suggested otherwise and they were willing to take a medium risk with their investments. Bearing in mind this discrepancy I've thought about whether a medium risk was right for them. And overall, I think the level or risk Mr and Mrs C were prepared to take was most likely discussed and agreed as referred to above. And because of this and their investment experience, I think they reasonably understood the risk of the investment.

Taking all of this into account, I think the levels of risk implicit in investing were known to Mr and Mrs C and they were further explained to and discussed with Mr and Mrs C. As such I'm satisfied they were content to expose a proportion of their funds available for investment to a medium level of risk in order to achieve their objective of potential of capital growth over the medium to long term rather than keeping it in cash where its recorded they were disappointed by the returns.

<u>Mr and Mrs C's investment objectives</u>

I've been provided with a note from Mr and Mrs C to Cambourne where they said they wanted to maintain the purchasing power of their money, didn't want to take income as they had sufficient for everyday expenditure and their main problem would arise upon first death. Mr and Mrs C said they weren't against making gifts but weren't convinced they would live seven years (for potentially exempt transfers), concerned about potential nursing care costs and with regard to IHT they said;

> 'We are on the cusp of IHT liability but have accumulated some items which might escape attention, namely [Mr C's hobby equipment] which many might consider to be a load of scrap but to the right people have a value. The only trace of ownership is the insurance policy which we are considering transferring to the name of one of our children. These items could, and would, if we were able to make that decision, disappear before [Mr C's] death. We also have physical gold which we are earmarking as being gifted annually to our children…'

The adviser's notes show that he was concerned about the IHT position;

> 'IHT – I think they are being optimistic with 'cusp' & this [illegible] on them getting things out of the estate such as the bullion & 'toys'. I am not sure this is good planning. Also house prices etc can rise quickly so estate value will rise.'

The adviser had identified that Mr and Mrs C's IHT liability was an issue they were aware of and that needed addressing over an above what they were already considering.

The timescale of the investment was 'till death us do part' and they wanted to invest over the medium term which was five to ten years. Of their then current assets in their letter of 6 September 2021 they said that Mr C considered all his cash ISA investments;

> 'now pay unacceptably low rates of interest and can be transferred to stocks and shares ISAs or whatever you advise.'

So, Mr and Mrs C's investment objectives were to receive better returns than from cash deposits with some of their money over the medium to long term along with an eye to IHT mitigation.

<u>The advice</u>

While I'm satisfied it was most likely the case that Mr and Mrs C's attitude to risk was assessed by the adviser, I've considered whether what was recommended to them was right for their circumstances and financial objectives.

Mr and Mrs C did have some investment experience but, in this instance, I think they were reliant upon the advice given to them. Mr C has said his time and energy was spent caring for Mrs C hence his need for financial advice. And I've borne in mind what they'd done previously with their money – by putting it in a risk-free environment in a cash/cash based products as well as some stocks and shares (without advice) and VCT/EIS (with advice).

But as mentioned above its recorded that Mr and Mrs C's investment objective was for the potential for capital growth, so it seems likely that Mr and Mrs C did want to explore the opportunity to make their money grow more than it had done while in cash products. Taking everything into consideration I'm persuaded it was more likely that Mr and Mrs C were willing to take some risk with a proportion of their money while also looking to mitigate IHT.

Cambourne provided its general investment recommendations in November 2021 and Mr and Mrs C agreed that for the £124,000 Mr C had in his current cash ISAs this was to be invested 50% into 'business relief stocks and shares ISAs' and 50% into a portfolio of investment fund ISAs. For Mrs C her bond was to be surrendered and £25,000 was to be taken from her cash ISAs which would give £45,500 to be invested in a portfolio of funds in ISAs.

In response to Mr and Mrs C's agreement to the general investment recommendations, Cambourne provided a further suitability letter on 20 December 2021. It recorded that Mr and Mrs C had a potential IHT liability of around £177,000. They were unhappy with interest rates and wanted to invest a proportion of their cash for capital growth.

It was recommended that the £45,500 available for Mrs C was to be invested into six collective investment funds with a low medium risk investment strategy.

For Mr C, his investment experience – bonds, individual shares, VCT/EIS investments – was noted and it was for this reason it was recommended that half of Mr C's £124,000 available cash be invested in collective investment funds for capital growth and 50% into AIM listed investments. The £60,000 AIM investment was to be split between two AIM IHT portfolios in order to diversify risk. They would be exempt from IHT after the initial two-year holding period provided they were held at death and the investments continued to qualify for business relief. The advantages and disadvantages if AIM investment were outlined.

The collective investments would be low to medium risk and AIM investments medium to high risk which for both Mr and Mrs C would provide a blended medium risk approach overall. In total £101,000 was to be invested at a rate of £10,100 per month over the following ten months into the funds in order to drip feed the cash into the market.

I'm satisfied that when giving the advice the adviser identified Mr and Mrs C's needs in that they wanted better returns than cash based investment and to mitigate IHT.

Overall, Cambourne was suggesting that Mr and Mrs C take a portion of the money – just over 20% of their investible assets – they previously held in a cash based products and put it into a stock market investment. This, on the face of it, doesn't seem an unreasonable way to introduce an investor's cash to stock market investments that would allow them to see the benefits of those types of assets while limiting the impact on their overall financial standing were risks to materialise. And the IHT portfolios would go some way to mitigating their IHT liability that had been identified and they were concerned about. But in order for them to do so I would expect to see that all of the options and risks were clearly explained to him.

As I've said I think it's more likely Mr and Mrs C were given sufficient information and had enough investment experience for them to be aware of the varying levels of risk and potential rewards implicit in different types of stock market investments. They were also provided with the key information documents about the recommended collective investments So, I'm satisfied they were aware of the alternatives that were available to them.

However, I do appreciate that there were probably lower than medium risk options available to Mr and Mrs C at the time that could have potentially offered them better returns than savings. But my role isn't to re-visit the advice they were given and what other options were potentially available to them. Rather it's to consider whether the advice that was given to Mr and Mrs C was suitable for them at the time and as identified prior to the investment and whether it was sufficiently explained to them.

Mr C has complained about the performance of the investments, but I can't consider performance in and itself. Provided a portfolio is invested in line with its overall objectives and disclosed risk – in this case for capital growth over the medium to long term by investing in a broad range of assets – collective investments/IHT portfolio, within the agreed risk profile, then it wouldn't be fair or reasonable for me to uphold the complaint on this point. Looking at the funds invested into I haven't seen anything to suggest that the portfolio was invested outside of its stated investment objectives or risk profile.

Taking all of the above into consideration, and in the individual circumstances of this complaint, I don't find that the advice given to Mr and Mrs C was unsuitable for them bearing in mind their personal and financial circumstances, their attitude to risk, capacity for loss, the affordability of the investments and their investment requirements.

Ongoing advice and access to valuations

Mr and Mrs C agreed to receive ongoing advice to ensure their investments still remained suitable for them. The 0.5% fee was taken from the total fund value and was to pay for 'ongoing administration support, advice and management'. Cambourne defined the service as;

‘Ongoing charges: once your financial plan is in place it is important to keep it under review so it can be adapted, where necessary, as your circumstances change. Our ongoing services are designed to do this. The ‘Basic review service’ was;

- ‘to discuss if he plans and funds you have still meet your needs, objectives and attitude to risk
- to meet on an ad-hoc basis to discuss your requirements
- to provide an up to date valuation of your investments
- implementation of any agreed changes
- to discuss on the telephone any concerns you have’

As explained in Cambourne’s final response to the complaint it confirmed that it had drip fed the funds into the investments over a ten month period – as agreed – ending in March 2023. It said it wouldn’t be usual to arrange a meeting for a review until 12 months after the funds had been fully invested. I would expect a business offering an ongoing advisory service to review the investments etc at least annually. Otherwise, I would consider it unlikely to be fair and reasonable to say an ‘ongoing’ service for which an annual fee is paid could involve reviews taking place less than once a year or on an infrequent, ad-hoc, basis. However, in the individual circumstances of this complaint I don’t think what Cambourne has said is unreasonable.

I say this because Mr and Mrs C were investing for the medium to long term and an investment strategy had been put in place to meet that need. I wouldn’t expect that strategy to be revisited in the year when the funds themselves weren’t fully invested while they were being drip fed into the market – that is a too short term view. And during that time Cambourne was managing and administering the investment and the underlying investments were also being actively managed by the respective fund managers to ensure the funds remained in line with the funds’ stated investment objectives and which had been identified as being suitable for Mr and Mrs C’s investment objectives. While I can’t see any evidence Mr C was told of the delay that would take place before the first review meeting but it’s clear that Mr C could have contacted Cambourne whenever he wanted if he needed to discuss his investments. So, I don’t agree that Cambourne didn’t provide the service it agreed to when providing ongoing service and advice.

Also, Mr C had accessed the valuation of his investments many times on the third party platform and I understand he was also sent valuations by the investment providers. I can also see that the third party platform wrote to Mr C in October 2023 after completing instructions and advising that he could access information via its website and that Mr C should make contact if he needed a password. It gave details of how to get in touch. The third party platform allowed Mr C to;

> ‘view all transactions, charges and fees relating to the management of your investment plans on the […] platform. This includes all costs and fees from Cambourne, your investment fund managers and the […] platform’.

As stated above, it’s clear that Mr C did regularly used the platform to view his account. So over and above having contact with Cambourne whenever he wanted, Mr C was able to access all of the information he needed about his investments at any time.

Overall, I don’t uphold Mr C’s complaint and I don’t think Cambourne needs to do anything more. I appreciate my conclusion will be disappointing to Mr C. It’s clear he feels strongly about it, and I’d like to thank him for the time and effort he has spent in bringing his complaint, but I hope I have been able to explain how I’ve reached my decision.

My final decision

For the reasons given, I don't uphold Mr C's complaint about Cambourne Financial Planning Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 17 January 2025.

Catherine Langley
Ombudsman