

The complaint

Mr T complains that Scottish Widows Schroder Personal Wealth (ACD) Limited ('Schroders') has failed to keep him informed about the performance of his investments.

What happened

Mr T held an investment ISA and an Open Ended Investment Company ('OEIC') which invest in a Cautious Solution fund. The investments were taken out on an execution only basis with Scottish Widows Unit Trust Managers. In December 2019, Schroders became Authorised Corporate Director ('ACD') for the fund.

Mr T contacted Schroders several times on 6 October 2023. He said his investments had performed poorly since 2022, and Schroders hadn't kept him informed about the downturn. In June 2022, the investments had been valued at £129,801. Further, he explained he was unhappy about being transferred between different Schroders departments as he had made several calls that day, but he was simply passed between call handlers without an answer. Schroders then set up a complaint for Mr T.

On 9 November 2023, Schroders issued a final response letter to Mr T. It rejected the principal complaint. It set out various reasons for the recent negative impact on bond prices – this directly affected Mr T's investments as they were held in a cautious risk profile which comprised around 70% of fixed-income bonds. However, it did offer to pay Mr T £50 for the upset it had caused him when providing poor customer service. Specifically, when Mr T had called in regarding his investments, Schroders had incorrectly offered to transfer him to its wealth team, when it should have explained that Mr T may wish to seek independent financial advice.

The following week, Mr T surrendered both of his investments for £124,144.

Mr T thereafter lodged his complaint with this service, as he did not accept the outcome. He said that he knew the value of his investments could fluctuate. However, he reasonably expected that Schroders would discuss this with him – and it hadn't done so.

One of our investigators reviewed the complaint, but he didn't think it should succeed beyond the offer that Schroders had already made to resolve things. He said that he expected Schroders to provide information, even where Mr T was receiving a non-advised service. And he was satisfied that it had done so. He did otherwise agree Mr T was mistakenly transferred to Schroders's wealth team department when he shouldn't have been and the offer of £50 was an appropriate amount to recognise that error.

Mr T said that he did not accept the investigator's view. He felt that Schroders ought to have explained to him more clearly that it couldn't give him financial advice, when he had received advice from Lloyds/Scottish Widows in the years before the investment was transferred.

Schroders said it had nothing else to add.

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.

I'd like to thank the parties for their patience whilst this matter has awaited referral to an ombudsman.

Though I recognise Mr T's frustrations about the performance of his investments (and Schroders failing to inform him of the same), I am not going to uphold this complaint. Having looked at everything before me, I also believe this complaint should be upheld in respect of the administrative error only. I'll explain my reasons for reaching that conclusion below.

I should also make clear that complaints about investment/fund performance do not relate to a regulated activity and fall outside of my remit. We are limited by the rules governing this service, as defined by the Financial Conduct Authority ('FCA'). In order to proceed under the rules, complaints to this service need to be about acts or omissions by a respondent business in relation to the carrying out of specific regulated activities or any ancillary activities, including advice, such as the management of (an) investment(s). On those grounds, I am not able to investigate the performance of the fund itself.

Consequentially, it's also important for me to point out that we do not act in the capacity of a regulator. Our decisions don't ordinarily interfere in how a business may conduct its operations or exercise what may be commercial judgment on the provision of a particular service, where that remit falls to the FCA. That notwithstanding, this service's role is to investigate disputes and resolve complaints informally. I am therefore able to take into account relevant laws, regulations, rules, guidance and standards, codes of practice and industry best practice to decide what is fair and reasonable in all of the circumstances.

Whilst Mr T is entitled to form his own view on the reasonableness of Schroders's operation of its investment fund, I must also do the same. From an objective standpoint, I do not consider the administration to have been unfairly handled. I have therefore gone on to look whether Schroders has treated Mr T fairly and reasonably in its updates to him as an execution only investor, in respect of information about the performance of the fund. And I believe it has.

Mr T did not receive any advice from Schroders. His two investments – in the same cautious fund – were held on an execution only basis. In the final response letter, Schroders gave significant detail as to the reasons for the fund's underperformance and the impact of inflation, interest rates, supply chains, geopolitical issues and uncertainty on global markets. Further, it explained how fixed income bonds had been particularly impacted in the last two years, along with its global growth forecast for the next year.

Schroders sent Mr T biannual investment information along with referencing its monthly reports which gave a detailed explanation as to its actions across each reporting period. The biannual statement explained how Mr T *"you can also find our recent monthly review [via our SPW Funds Portal] and outlook documents which provide a summary of factors driving the market, covering the global economy as well as the performance of major asset classes"*.

I also note that in its periodic updates to Mr T, Schroders set out how *"when you first invested, the fund's defined risk level and objectives will have matched your own financial goals and your willingness to accept risk that the value of your fund may fall or rise. As you remain invested, it is possible, or even likely, that your own personal circumstances could change and you should regularly consider whether your investment still matches your objectives and appetite for risk"*.

To that end, Schroders sent Mr T information (such as in the statement of 28 June 2023) as to how he could review his investment independently. It reminded him that “*Schroders cannot help you make this decision or provide you with any advice. If you’re unsure about what you should do, you may wish to speak to a financial adviser*”.

I know Mr T recognises that the investment could fall in value – and this is not the crux of his complaint. However, he does contend that Schroders failed to point out that his investments had dropped. Aside from the telephone issues which I’ll address below, I otherwise believe Schroders has provided Mr T with clear information about his investments (including their value) at reasonable times, and the information was presented in an understandable way.

The information provided by Schroders was fair; it explained the issues concerning overall performance from its business perspective. I’ve not seen any objective evidence that would lead me to conclude that it has otherwise unreasonably provided information about the fund or misled Mr T in any way. Though the investments have not delivered the returns Mr T had hoped for or expected in the final years, that of itself is not a sufficient reason for me to uphold the complaint about Schroders’s operation of the fund or its provision of information about the fund. And since I’m satisfied that Schroders has dealt with this aspect of the complaint fairly, I won’t be asking it to do anything further.

The final aspect of the complaint concerns Schroders’s failure to direct Mr T appropriately to seek independent financial advice when he placed several calls to it on 6 October 2023. Instead, the call handlers misdirected Mr T to its own wealth team when this did not apply to him as an execution only investor. Schroders has rightly upheld that part of the complaint, since it should have reiterated (as per the written biannual statements to Mr T) that it could not provide him with any advice and he would therefore need to consider seeking assistance independently, as appropriate. This information was later reinforced to Mr T.

What this service does is consider if a business has treated a customer unfairly because of actions or inactions. And if it has done so, we then go on to consider what ought to be done to put the mistake(s) right. In this case, that was to correctly give Mr T information about independent financial advice, and to compensate him for the call handlers having failed to make this clear at the earliest opportunity.

As well as putting right any financial losses in a complaint (though there are none in this circumstance), we also consider the emotional or practical impact of any errors on a complainant. In doing so, we do not fine or punish businesses; as I explained earlier in this decision, the FCA undertakes the role of regulator.

It may be helpful for Mr T to review to the guidance available on our website around the amounts and types of awards made in instances of upset, trouble, inconvenience and distress caused by businesses in the complaints we see at this service.

Taking into account the impact of the misinformation, I believe the proposed payment of £50 was reasonable in the circumstances where Schroders caused upset and frustration for Mr T. The mistake had a short-term impact on Mr T but nonetheless, Schroders gave contradictory information to Mr T, and he ended up placing five calls on the day in question which naturally was an inconvenience to him. The amount of £50 is an amount I believe appropriate for one-off errors of this nature, and I do not make any other award.

Putting things right

I believe that Schroders has taken reasonable steps to resolve the complaint, by apologising to Mr T, taking feedback to the relevant call handlers and by offering to pay him £50 for the

upset he had been caused by the impact of its mistake. I think this offer is fair in all the circumstances. So my decision is that Schroders should pay £50 to Mr T, because it hasn't been able to make that payment to him to date.

My final decision

For the reasons explained, I uphold this complaint in part. I do not uphold the complaint in respect of the performance of the investments or in respect of the information provided to Mr T about the investments.

However, I agree that the failure to inform Mr T that he may require signposting to a financial adviser was unreasonably frustrating for him, when it was clear to Schroders that it could not offer him any financial advice. I find that Schroder's offer to pay Mr T £50 as compensation for the impact of that customer service error is appropriate in the circumstances.

I direct Scottish Widows Schroder Personal Wealth (ACD) Limited to pay Mr T £50. I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 4 September 2024.

Jo Storey
Ombudsman