

The complaint

Mr H complains about the performance of a child trust fund and a child Individual Savings Account (ISA) provided by Family Equity Plan Limited trading as 'One Family'.

What happened

Mr H said he put money into the funds to pay his children through university based on the premise of the funds maturing at a median value of £36,000 per child. He said recent guidance shows that this will be more than £10,000 under the guidance for each fund.

Mr H said the underperformance affects his children's options and he could have used other financial providers. He said One Family had never told him it had mismanaged the funds, but collected fees based on performance and often called to request more investment. Mr H complained to One Family saying he wanted what was promised - £10,000 more, plus fees and interest returned and protection from all losses from mismanagement. Mr H said the performance was either due to incompetence or greed and in either case justifies scrutiny.

One Family responded to Mr H that the child trust fund opened in 2010 with a £250 voucher and a further £16,040 since contributed. It said the account was now valued at £21,475.69. One Family said the ISA opened in 2013 and £12,260 had since been contributed and is now valued at £14,267.84. One Family said the funds are invested in stocks and shares and the values will always vary. It said growth is not guaranteed but neither account had made a loss. It sent Fact Sheets about the operation and risks to the funds.

Mr H said it wasn't a defence that One Family hadn't lost him money. He said its growth promise was based on a tool predicting fund values at age 18. Mr H said mismanagement and underperformance of the funds can be seen with comparisons to the market and other investments for the same period. Mr H referred his complaint to our service.

Our investigator didn't recommend the complaint be upheld. He said the trust fund factsheet states the objective as achieving long-term growth by tracking the share index. The ISA factsheet states the objective as achieving long-term growth by investing in global shares, securities and UK property. But the fund only achieved 5.4% growth over the last five years. He said the annual management charge for the funds is stated as 1.5% of the fund value.

Mr H said he invested on the basis the funds would achieve a value of £36,000, due to the tool on One Family's website. The investigator said the tool provides illustrations and is not a guarantee of future performance and it states: *'Remember, projections are not guarantee of future performance and your child could get back less than you pay in.'*

The investigator said ISA statements provided illustrations of the fund maturing at £36,800 if achieving 8% annual growth but also provided projections of 2% and 5%. And warned that returns will depend on how the investment grows and could be more or less. He said One Family said if Mr H was unhappy with the fees, he could have changed funds or switched to another provider. And said the factsheet explained the fees were not performance related.

Mr H said the investigator let off a firm who made large promises, affecting his children. He could accept the funds underperformed the market, but this inadequacy meant there has to be a reasonable attempt to put this right. He requested an ombudsman review his complaint saying he had a reasonable expectation of the ombudsman acting in favour of the public.

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.

Mr H complained that One Family didn't manage his child investments well enough to make his intention for the funds realistic, despite his providing additional funding. Mr H said he had done nothing wrong and has tried to make good provision for the future of his children with the aspiration of an opportunity to study at a good university.

I agree and sympathise with Mr H for the disappointing investment outcome of the funds he set up and I'm sorry to hear about the impact this may have on his family. However, I should point out that ombudsmen do not act in favour of the public, we are required by law to decide on complaints impartially between a consumer and the business complained of. We do this by considering if a business has acted fairly and reasonably towards the consumer.

In assessing whether One Family treated Mr H fairly, I've taken into account the relevant rules and guidelines along with good industry practice. There are general principles that say a financial business should conduct its business with due skill, care and diligence and pay regard to the interests of its customers.

One Family told Mr H that unfortunately market conditions had caused unit prices to decrease, affecting the growth of his funds. I should also point out that while I appreciate Mr H is unhappy with the fund performance, this isn't usually a valid basis for complaint. By their very nature, different funds will exhibit varying levels of performance and therefore rise and fall over time, so I am unable to say that poor performance means that a fund has been mismanaged. The decisions made by the fund managers may now seem to not have been the best decisions with the benefit of hindsight, but this doesn't mean that One Family has acted unfairly towards Mr H.

Mr H said he had invested on the expectation that the funds invested would reach a value of £36,000 as shown on One Family's website. I have considered the rules that require a financial business to communicate with customers in a way that is 'clear, fair and not misleading'.

I've looked closely at One Family's website including its online tool and the paper statements it sent to Mr H. I can see that these are intended to provide illustrations of *potential* returns on investments.

The ISA calculator tool predicted returns on Mr H's funds of between £20,000 and £35,000. It states, *'Please remember that projections are not a guarantee of future performance'*. The ISA Welcome Letter from 2013 states, *'Please remember that as the Junior ISA invests in stocks and shares, the value can fall as well as rise and the child could get back less than has been paid in'*.

On the paper statements sent to Mr H are various illustrations of potential growth for the funds from 2% to 8% and the means for customers to maintain a check on the funds' values. It states: *'Want projection figures for other amounts? Visit www.family.co.uk/manage and register for online account management. You can check the value of [name of child's] Junior ISA and sign up for paperless statements there too!'*

Following on from this the statement carries the following alert:
'IMPORTANT:

These projections are not a reliable indicator of future performance. What your child gets back will depend on how the investment grows and on the tax treatment of the investment. Your child could get back more or less than this. All providers should use similar rates of growth for stocks and shares Junior ISA projections, but their charges may vary. Over time,

the cost of living will generally rise, which means the child won't be able to buy as much in the future with the amounts shown.'

I think the information that One Family provided to Mr H in its communications was clear, fair and not misleading in that it was made clear that the returns were only illustrations, and the figures were not guaranteed, but only potential returns. From this it isn't possible to say that One Family misled Mr H about the investments.

It's not clear to me why the return that Mr H said he was promised by One Family was that of the highest projected return, or why he described this as the 'median value'. I agree with the investigator that this wasn't the fault of One Family, whilst accepting that the performance of the investments is disappointing.

In terms of the fees charged by One Family for managing the funds these were also set out on its factsheet. This states that the fees are not performance related being set at 1.5% of the fund value. One Family offered alternative investments for the funds on a different charging basis.

In conclusion, I've considered if Mr H's funds have been managed within the parameters that One Family set out and having done so, I haven't seen sufficient evidence to conclude that they have acted incorrectly so I won't be asking them to do anything further in regard to Mr H's complaint.

Our service investigates the merits of complaints on an individual basis. And that is what I've done here. I think it's important to explain that my decision is final. I realise that Mr H will be very disappointed by this outcome though I hope he appreciates the reasons why it had to be this way.

My final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

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

Andrew Fraser
Ombudsman