DRN-4976447

Financial Ombudsman Service

The complaint

Mrs H complains about the way St. James's Place Wealth Management Plc (SJP) has managed her ISA. She says she has suffered losses during the period 2019 to 2023, and she believes this is a result of failings in the service provided by SJP.

What happened

Mrs H first received advice from SJP in 2014, jointly with her husband. They were advised to invest in a balanced portfolio, and she took out a stocks and shares ISA. Over the following years they received various pieces of advice in relation to their investments.

In late February 2020, due to the onset of the global pandemic, Mrs H raised concerns about the impact on her ISA. Following discussions with SJP, it was agreed that her ISA would be moved to a money market fund to protect the investment from the volatility of investing in equities at this time.

In late summer 2021, following a further meeting with her SJP adviser, she was advised to move her ISA funds into a strategic growth portfolio, as this was still in line with her medium risk profile.

In July 2022, Mrs H (jointly with her husband) raised concerns about the fall in value of her investment over the previous three months. SJP responded to explain world markets had suffered poor performance due to external factors including the war in Ukraine. But it didn't advocate any changes at this point.

In March 2023, Mrs H raised a joint complaint with her husband with SJP about their investments. She highlighted the losses incurred during the period between 2019 and 2023. She was unhappy she wasn't alerted and advised to take steps to avoid the losses during periods of market volatility – and requested SJP compensates her.

SJP responded to the complaint on a joint basis. It didn't agree to pay the investment losses suffered, but it did offer some compensation for the delay in responding to the concerns. In summary it said it was satisfied the advice received was consistent with the needs disclosed. And Mrs H was given sufficient information to enable her to make informed decisions to switch her ISA to the money market fund and then into the strategic growth portfolio.

As no agreement could be reached, a complaint was referred to this service for an independent review.

One of our investigators issued an initial assessment on the complaint. In summary she said:

- The performance of Mrs H's ISA in the period from 2019 to 2023 was impacted by market volatility as there were unprecedented global events, including the COVID-19 pandemic and the Ukraine war. We don't investigate the performance of an investment, but rather look to see if advice to invest was suitable for a customer, based on their objectives and profile. The original advice to invest in the balanced fund, and then subsequent advice was suitable for Mrs H's circumstances and risk profile.

- In February 2020, Mrs H expressed a desire to “freeze” her investment to avoid further losses. To respond to this SJP’s suggested to switch the ISA into the money market fund, a lower-risk option designed to preserve capital.
- The market movements which impacted Mrs H’s ISA were beyond SJP’s control and were not the result of any actions it took. The fact that SJP didn’t alert her to market movements or advise her to move out of certain funds during market downturns doesn’t constitute mismanagement. The approach of maintaining a long-term investment strategy is consistent with industry standards and the nature of the portfolio, which was designed to weather market volatility over time.

Mrs H didn’t accept the investigator’s assessment. She said SJP failed to provide the expected quality of a paid service. And noted her previous adviser had provided close personal advice contact and guidance, but this level of service was stopped when he left SJP. This meant the service was very poor and inadequate, and this contributed to the losses suffered.

As the complaint couldn’t be fully resolved, it has been passed to me to reach 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.

Mrs H doesn’t believe SJP has provided the level of service she thinks it should have – and because of this she has suffered losses on the funds she held in her ISA.

It hasn’t been disputed that the original advice provided to Mrs H jointly with her husband was suitable for their needs and circumstances at the time. During this advice process SJP discussed and established Mrs H’s circumstances, objectives and risk profile for her intended investment. I note that it was established she was seeking to maximise the growth potential of her wealth over the medium to long term, and she had a medium risk profile.

The crux of this complaint is about the service SJP provided between 2019 to 2023. So, this is what I’ve focused my considerations on. Mrs H holds SJP responsible for failings which contributed to the losses she suffered during this period. She says she trusted SJP to manage her ISA and paid regular fees for a personal service to look after her savings. But in her view the paid for service that was offered and recommended by SJP was not provided, and this is the reason for her losses.

I’m satisfied that the decision to move Mrs H’s ISA into the money market fund in 2020 was as a result of concerns raised by her and her husband with their adviser about the impact of the global pandemic. This did reduce the risk level of her investment below what was agreed in the initial advice. But at a time of unprecedented uncertainty with global markets, this was agreed as a way of attempting to protect the investment from significant volatility and potential losses. The evidence I’ve seen indicates as a couple they were extremely concerned about volatility, so were seeking to de-risk. But, this was discussed as a temporary measure during the period of uncertainty and there was an intention to go back to the original risk structure. So, I’m satisfied the support given here by SJP was reasonable in light of the concerns raised about market volatility at the start of the pandemic.

There is evidence that SJP was providing the ongoing advice service it was charging for during this period after Mrs H switched the fund for her ISA. This includes the further contact with the adviser during late summer / autumn of 2020 where queries were answered about the performance of the investment and further clarification given about the money market fund. This resulted in a decision to not make changes to the funds at this time.

In August 2021, following discussions with the new adviser, Mrs H moved her ISA to a fund which aligned with her established risk profile, but this did expose her to equity markets again. While this did mean increasing the risk she was taking, it provided the potential for growth for her savings. As previously mentioned, this was her objective when SJP first provided advice. Overall, I think it was still suitable for the adviser to suggest this move – when taking into account Mrs H's circumstances and objectives over the medium and long term.

During 2022, Mrs H became aware of losses on her investment, which led her to raise concerns about the earlier fund switches she agreed with the adviser. The adviser provided reassurance and explained the impact global events were having on markets. The adviser didn't advocate changing anything as his view was markets were bouncing along the bottom. I note a review was held with Mrs H in August 2022, and it was agreed with the adviser she would remain invested in line with her risk profile. Mrs H didn't make any further changes to her ISA until she decided to move her investment away from SJP in 2023.

Mrs H has been clear she thinks SJP failed to provide a paid-for contractual service. She says she instructed SJP to alert her to events impacting her investment, with it being constantly monitored with a "hand on the pulse". This was of particular concern during periods of extreme market fluctuations. But she says this was ignored by SJP, and sees this as a failure in managing her investment as nothing was done when she received a very high percentage loss to her savings, which went beyond her agreed medium risk level. It appears she understood the advice service would involve the adviser recommending changes whenever there was a downturn in the value of her investment to limit her losses.

I think it is worth setting out the service SJP agreed with Mrs H. From her submissions, it appears her expectation was SJP would be providing a monitoring service where she would be alerted to movements in her invested funds. I've looked at whether this was what SJP agreed to. Having reviewed the information provided, I can see Mrs H was receiving and paying for an ongoing advice service from SJP, which involved reviewing her circumstances at regular intervals, and providing annual statements in respect of her investments, so that a review can be arranged. I note this was first set out when she originally received advice in 2014.

It does appear Mrs H's expectations of service aren't aligned with what SJP provided. Essentially the agreement from SJP was to provide ongoing advice to review the investments – and for this service it charged a fee made up of a percentage of the value of the investment. I can see that SJP did complete regular reviews with Mrs H, and further advice and changes were made at times as a result of the reviews, and other times it was agreed to leave things as they were. For example, from reading the August 2022 review, I can see it acknowledges the losses experienced and that there was consideration around the asset allocation of funds. But it was agreed there was no need to re-balance things at this time. So, the evidence does indicate SJP provided the ongoing advice service it agreed to. While I acknowledge Mrs H's unhappiness with the service she received, I don't think it can be said that no service was offered or provided. I understand why Mrs H links the losses to a lack of service and sees a sudden fall as major failure of management by SJP. But the reality is that the situation isn't as straight forward as this. Investing in risk-based investments does present the risk of periods of underperformance and can result in falling values.

I acknowledge Mrs H wasn't recommended a fund switch in 2022, despite the falling value of her investment. Without the benefit of hindsight, it isn't possible to know whether this could have limited her losses. But the fact it was suggested to remain invested in the existing fund at this time, doesn't mean the ongoing advice service being paid for wasn't provided. The fund moves Mrs H made during the wider period in question, hasn't resulted in her achieving the growth she was seeking, but rather saw the value of her ISA fall. The nature of risk-based investments means there is always a possibility the underlying funds don't perform as well as hoped. The significant market events that occurred over a relatively short period is a key factor impacting the performance of Mrs H's investment. I appreciate, Mrs H feels the advisory service provided by SJP should be able to mitigate her investment against significant losses. But I don't think it is reasonable to reach a conclusion that a service hasn't been provided solely on the fact Mrs H suffered losses.

SJP says its philosophy is one of 'time in the market' rather than 'timing the market'. Meaning that it seeks to recommend investments which are held for the medium to long term, to allow them to ride out short-term volatility. This means it wouldn't normally expect an adviser to recommend a fund switch purely in response to market movements. I don't find this position to be unusual, and I accept that attempting to second guess the market during volatile periods increases the overall risk. While Mrs H is concerned about the losses resulting from SJP not giving a recommendation to take action when the value of her investment fell, in my view, advice not to change or switch funds is still part of an advisory service and not just following a philosophy. There is evidence from the August 2022 review that shows consideration was given to making changes – but the outcome of the review at this time was to leave things as they were. I note the following points made in the communications sent by the adviser after this review:

- The value of Mrs H's ISA, in light of falling valuations, was reviewed. Various options open to her were discussed. An encouraging upturn in valuations since June was noted, without the adviser suggesting this was the start of the recovery stage in markets.
- Mrs H's attitude to risk was assessed and she was re-confirmed as a medium risk investor. She was investing for at least five years and wanted to achieve better long-term returns and was comfortable with her capital being invested in equities. She realises there may be significant falls in the value of her investment - as she has seen since the start of the year.
- The asset allocation of funds was considered, and it was agreed there was no need to re-balance the investments at present. Mrs H accepted that valuations are somewhat depleted at present due to both domestic and wider economic reasons.

In hindsight, different investment choices could have limited the losses Mrs H suffered, but I don't think it is fair and reasonable to hold SJP responsible for not anticipating this, particularly in light of the market conditions at the time. As mentioned above, timing the market can increase the risk and can make things worse in terms of losses. The fact SJP's advice was to remain invested in the Strategic Growth fund and not make changes during a period of market volatility, doesn't mean SJP wasn't providing the service paid for. Mrs H's objective was growth over the longer term, so a strategy of leaving funds invested to allow them to ride out short-term volatility is a reasonable position to take.

In conclusion, I haven't found that SJP needs to repay the losses Mrs H has suffered on her ISA. While I acknowledge the disappointment with the service received from SJP, I don't require it to do anything further in this respect.

My final decision

My decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs H to accept or reject my decision before 18 April 2025.

Daniel Little
Ombudsman