DRN-4976458

The complaint

Mr and Mrs H complain about the way St. James's Place Wealth Management Plc (SJP) has managed their investment portfolio. They suffered losses during the period 2019 to 2023, and they believe this is a result of mismanagement of their investments.

What happened

Mr and Mrs H first received advice from SJP in 2014. They were advised to invest in a balanced portfolio across several products including ISAs for each of them. Over the following years they receive various pieces of advice in relation to their portfolio.

In late February 2020, due to the onset of the global pandemic, Mr and Mrs H's raised concerns about the impact on their portfolio. SJP discussed this with them, and it was agreed that their funds would move to a money market fund to protect them from the volatility of investing in equities at this time.

In late summer 2021, Mr and Mrs H met with their SJP adviser. At this point they were advised to move funds into a strategic growth portfolio, as this was still in line with their medium risk profile.

In July 2022, Mr and Mrs H raised concerns as they had experienced a fall in value of around £20,000 on their portfolio over the previous three months. SJP responded to explain world markets had suffered poor performance due to external factors including the war in the Ukraine. But it didn't advocate any changes at this point.

In March 2023, Mr and Mrs H raised concerns with SJP about their investments. They highlighted they had incurred losses of around £37,000 during the period between 2019 and 2023. They said they trusted SJP but were concerned they weren't alerted and advised to take steps to avoid the losses during periods of market volatility. They requested SJP refund the losses experienced. Following this they instigated a transfer away of their investments from SJP.

SJP responded to the complaint. It didn't agree to pay Mr and Mrs H the investment losses they suffered, but it did offer them £250 compensation for the delay in responding to their concerns. In summary it said it was satisfied the advice received was consistent with the needs disclosed and they were given information about the risks. And Mr and Mrs H were given sufficient information to enable them to make informed decisions to switch their portfolio to the money market fund and then into the strategic growth portfolio.

A complaint was made about problems in transferring Mr H's ISA away from SJP. This has been dealt with separately.

As Mr and Mrs H remained unhappy with the response, they referred the complaint 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 Mr and Mrs H's investments 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 Mr and Mrs H's circumstances and risk profile.

- In February 2020, Mr and Mrs H expressed a desire to "freeze" their investments to avoid further losses. To respond to this SJP's suggested to switch the investments into the money market fund, a lower-risk option designed to preserve capital.
- The market movements which impacted Mr and Mrs H's investments were beyond SJP's control and were not the result of any actions it took. The fact that SJP didn't alert them to market movements or advise them 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.

Mr and Mrs H didn't accept the investigator's assessment. They provided further submissions. In summary they said SJP failed to provide the expected quality of a paid service. Their previous adviser had provided close personal advice contact and guidance, but this level of service was stopped when he left SJP. Following this the service was very poor and inadequate, and this contributed to the losses they've suffered.

Mr and Mrs H confirmed they are prepared to accept the compensation offered by SJP in respect of its handling of their queries and requested a cheque is sent.

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.

Firstly, I acknowledge Mr and Mrs H's disappointment with the performance of their portfolio. The fact the investments haven't performed as hoped or expected isn't a reason for me to find SJP are at fault. But it is clear that Mr and Mrs H feel SJP's actions (or lack of) has contributed to the losses they have suffered.

Mr and Mrs H haven't complained directly about the original advice they received from SJP when they first became clients, but for completeness I confirm I agree (for the same reasons) with the findings detailed by the investigator that this advice was suitable for their needs and circumstances. The original and subsequent advice does still have relevance to my overall findings, as this is where SJP discussed and established Mr and Mrs H's circumstances, objectives and risk profile for their investment portfolio – which was to maximise the growth potential of their wealth over the medium to long term. I will return to this point later.

The crux of the complaint is about the service SJP provided between 2019 to 2023, and Mr and Mrs H's view is SJP's failings contributed to the losses they suffered during this period. So, this is what I've focused my considerations on.

I'm satisfied that the decision to move their investments into the money market fund in 2020 was as a result of concerns Mr and Mrs H raised with their adviser about the impact of the global pandemic. This did reduce the risk level of their portfolio 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 their portfolio from significant volatility and potential losses. The evidence I've seen indicates Mr and Mrs H were extremely concerned about volatility, so were seeking to de-risk. But Mr and Mrs H's comments to their adviser at the time indicate they saw this as a temporary measure during the period of uncertainty caused by the pandemic, and they intended to go back to the original portfolio structure. So, in respect of the actions provided by SJP here and the way it responded to Mr and Mrs H's concerns, I haven't found there to be a failing here.

I have seen that Mr and Mrs H had further contact with their adviser during late summer / autumn of 2020 where their queries were answered about the performance of their portfolio and further clarification about the money market fund they had switched to. It was decided at this time to leave the portfolio invested in this fund as they had no need for fund manager or fund changes. I'm satisfied that SJP were proving the ongoing advice service it was charging for during this period.

In August 2021, following discussions with their new adviser, Mr and Mrs H moved the portfolio into a fund which aligned with their established risk profile, but this did expose them to equity markets again. While this did mean increasing the risk they were taking with their funds, it provided them with the potential for growth in their portfolio. This was their objective when they first received advice from SJP. At the time this switch was agreed, I can see that Mr and Mrs H had discussions with the adviser about moving their portfolio out of the money market fund. The adviser suggested a switch to the strategic growth portfolio as this sat in line with Mr and Mrs H's medium risk profile. While this wasn't the exact place their portfolio was previously invested, I think it was still suitable for the adviser to suggest this move – taking into account Mr and Mrs H's circumstances and objectives over the medium and long term.

During 2022, Mr and Mrs H became aware of losses on their portfolio, which led them to raise concerns about the earlier fund switches they agreed with their adviser. The adviser provided reassurance and explained the impact global events were having on markets. The adviser didn't advocate changing tack at present (unless they had planned expenditure) as his view was markets were bouncing along the bottom. I note a review was held with Mr and Mrs H in August 2022, and it was agreed with the adviser they would remain invested in line with their risk profile. They didn't make any further changes until they decided to move their investments away from SJP in 2023.

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 the 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.

The fact Mr and Mrs H weren't recommended a fund switch in 2022 doesn't mean the ongoing advice service being paid for wasn't provided. In hindsight, the two fund moves Mr and Mrs H made didn't result in them achieving the growth they were seeking, and they did incur losses. But again, I don't think this means that SJP must be at fault for this. 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 Mr and Mrs H's portfolio.

I note Mr and Mrs H's comments that they don't feel their new adviser provided an adequate level of service, compared to their previous adviser. They feel SJP failed to take urgent action and did nothing to limit their losses – and this resulted in their savings being subject to uncontrolled market fluctuations.

Mr and Mrs H were receiving and paying for an ongoing advice service. I note this was set out when they originally received advice in 2014. Essentially this was an agreement from SJP 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 investments. I can see that SJP did complete regular reviews with Mr and Mrs H, and further advice and changes to their portfolio 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 the investments at this time. So, the evidence doesn't indicate SJP failed to provide the ongoing advice service it agreed to.

Mr and Mrs H complain SJP didn't alert them to advise them to make changes to limit their losses, and instead left their savings to be subject to downward fluctuations in the market. It appears from their comments, Mr and Mrs H feel the service they paid for wasn't provided, essentially because they believe the losses should have been avoided (or reduced) if SJP had properly fulfilled its obligations. It appears they understood the ongoing advice service would involve their adviser recommending changes whenever there was a downturn in the value of their portfolio to limit their losses. I understand why Mr and Mrs H link the losses to a lack of service. But I don't think it is reasonable to make this direct link. For the reasons already given, the fact Mr and Mrs H suffered losses doesn't mean SJP failed to provide the service it agreed to.

In hindsight, different investment choices could have limited the losses 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 Mr and Mrs H weren't advised to make changes during a period of market volatility, doesn't mean SJP are at fault. Mr and 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.

I note, SJP agreed to pay Mr and Mrs H £250 in compensation in recognition of the way it handled the queries raised in March 2023. Mr and Mrs H have confirmed they are prepared to accept this. I agree this is fair and reasonable compensation in the circumstances and in line with what I would award for the inconvenience caused in this situation. So, I direct SJP to pay this to Mr and Mrs H. Their preference is for this to be paid as a cheque, rather than as a bank transfer.

In conclusion, I haven't found that SJP is at fault for the losses Mr and Mrs H have suffered on their portfolio. While I acknowledge their disappointment with the service they received from SJP, I don't require it to do anything further in this respect.

My final decision

St. James's Place Wealth Management Plc has already made an offer to pay £250 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that St. James's Place Wealth Management Plc should pay Mr and Mrs H £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 21 February 2025.

Daniel Little

Ombudsman