

## **The complaint**

Ms L complains about the suitability of investment advice given to her by Quilter Financial Services Ltd.

## **What happened**

In 2022 Ms L spoke with an adviser from Quilter and a while later invested funds in an Individual Savings Account (ISA) and a Collective Investment Account (CIA) as was recommended.

Around seven months after investing Ms L withdrew her funds to contribute to a house purchase. When doing so Ms L saw that both the investments had fallen in value so complained to Quilter saying the advice she had been given was unsuitable.

Quilter didn't uphold the complaint saying the risks and fees had been explained.

Remaining unhappy Ms L brought her complaint to our service where one of our Investigators looked into what happened. They thought the advice wasn't suitable for Ms L's situation saying the level of risk was too high and that she wasn't considered an experienced investor.

Quilter disagreed saying it was only that Ms L withdrew her investments earlier than expected that she didn't make a gain. They were also happy with the suitability and recommendations that were made at the time.

Because an agreement couldn't be reached the matter has come 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.

Both parties have submitted a lot of information about this complaint and it's clear how strongly they both feel about what happened. I want to assure them that I have read and considered everything that has been provided even if I don't mention it all in detail. I've summarised some things which reflects the informal nature of our service.

Our Investigator provided a detailed background of what happened, and the facts aren't really in dispute. So I won't repeat everything again here but will concentrate on giving the reasons for my decision.

I think there are two main areas of the advice which make it unsuitable: the level of risk and the length of the investment advice.

Ms L was recorded as having an Attitude To Risk (ATR) that was 'Dynamic'.

A Dynamic ATR is defined as:

*Dynamic investors typically have quite high levels of financial knowledge. They will usually be experienced investors, who have used a range of investment products in the past .. They are willing to take a risk with most of their available assets.*

Before taking advice Ms L had funds in two ISA accounts as well as other savings accounts. My understanding is that these accounts were all taken out directly by Ms L and were not recommended in any form of financial advice.

I don't think that the accounts held by Ms L show *high levels of financial knowledge*. These are all relatively low-risk self-managed accounts and there's no evidence of having previously taken financial advice.

I also don't think Ms L was prepared to take such a high of a level of risk with her funds. The express purpose of the funds, upon which all parties agree, was to continue to save for a deposit to allow a house purchase.

In an email to Quilter Ms L said she was *someone still relatively new to this*. And I agree. From her financial background I don't think Ms L could be considered an experienced investor.

So for these reasons I'm not persuaded the ATR was appropriate.

Quilter have said the change in risk was because of Ms L's desire to attain higher growth on her funds. And I agree that Ms L was looking for a higher return on her investment than she was currently getting. But at the same time because the funds were to be used for a house purchase, I don't think Ms L was willing to *take a risk with most of their available assets*.

Looking at the information from the time, and what Quilter have said when dealing with our Investigator, I don't think the risk level was suitable.

The suitability letter says *We discussed the timeframe for your investment and agreed this is going to be at least 10 years*. When talking about *Expected changes* the report says *You confirmed that you do not anticipate any changes in the next 5 years*.

All parties agree that at the time of the advice Ms L was saving funds to contribute to a deposit for a house purchase. In fact around the time of the advice Quilter organised for Ms L to meet with a mortgage adviser and discuss her requirements. So with the immediate appointment to discuss a mortgage I don't think a long term investment was suitable.

In the early stages of contacting Quilter for advice by email Ms L said *I've got a sum of money that I'd like to grow further to help save towards a house deposit*. So I think it was clear to Quilter what the purpose of the investment was.

Also considering the clear desire for a mortgage and house purchase was known by Quilter it's surprising to me that it isn't mentioned at all in either the fact find nor the suitability letter.

I think the combination of an unsuitable risk level and the inappropriate term of the investment made the advice inappropriate.

After carefully considering everything that happened I'm satisfied the advice given to Ms L wasn't suitable.

## **Putting things right**

### **Fair compensation**

In assessing what is fair compensation, I consider that my aim should be to put Ms L as close to the position she would probably now be in if she had not been given unsuitable advice.

I think that with suitable advice Ms L would have invested differently. It is not possible to say *precisely* what she would have done differently. But I am satisfied that what I have set out below is fair and reasonable given Ms L's circumstances and objectives when she invested.

### What should Quilter do?

To compensate Ms L fairly Quilter should:

- Compare the performance of Ms L's investment with that of the benchmark shown below and pay the difference between the *fair value* and the *actual value* of the investment. If the *actual value* is greater than the *fair value*, no compensation is payable.
- Also add any interest set out below to the compensation payable.
- Pay to Ms L £250 for the distress and inconvenience caused by having to borrow money from her father and the uncertainty of whether she would be able to get a mortgage to buy her property.
- Repay the advisor's fees together with simple interest at 8% a year, from the date the fees were paid to the date of settlement. If the above comparison shows that no compensation is payable, the difference between the *actual value* and the *fair value* can be offset against the fees with interest.
- Provide the details of the calculation to Ms L in a clear, simple format.

Income tax may be payable on any interest awarded.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
Quilter Investors Cirilium Dynamic Fund	No longer in force	Average rate from fixed rate bonds	Date of investment	Date ceased to be held	8% simple per year on any loss from the end date to the date of settlement

### **Actual value**

This means the actual amount paid from the investment at the end date.

### **Fair value**

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

To arrive at the *fair value* when using the fixed rate bonds as the benchmark, Quilter should use the monthly average rate for one-year fixed-rate bonds as published by the

Bank of England. The rate for each month is that shown as at the end of the previous month. Apply those rates to the investment on an annually compounded basis.

### **Why is this remedy suitable?**

I have chosen this method of compensation because:

- Ms L wanted to achieve a reasonable return without risking any of her capital.
- The average rate for the fixed rate bonds would be a fair measure given Ms L's circumstances and objectives. It does not mean that Ms L would have invested only in a fixed rate bond. But it is the sort of investment return a consumer could have obtained with little risk to their capital.

The information about the average rate can be found on the Bank of England's website by searching for 'quoted household interest rates' and then clicking on the related link to their database, or by entering this address [www.bankofengland.co.uk/boeapps/database](http://www.bankofengland.co.uk/boeapps/database), clicking on: Interest & exchange rates data / Quoted household interest rates / Deposit rates - Fixed rate bonds / 1 year (IUMWTFA) and then exporting the source data.

There is guidance on how to carry out calculations available on our website, which can be found by following this link: <https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation/compensation-investment-complaints>. Alternatively, just type 'compensation for investment complaints' into the search bar on our website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk).

### **My final decision**

My final decision is that this complaint should be upheld.

To put things right Quilter Financial Services Ltd should take the actions I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 19 December 2024.

Warren Wilson

**Ombudsman**