

## The complaint

Mr D complains that HBOS Investment Fund Managers Limited (hereafter referred to as 'Halifax') has behaved unreasonably in respect of his stocks and shares ISA. He says that Halifax has failed to properly manage the underlying investment fund - for which he has to pay a management fee – which is performing poorly.

## What happened

Mr D sent a letter of complaint to Halifax setting out his concerns, after having received an annual statement for his investment ISA – which he has held for several years. He also mentioned his wife's investment, as she also holds a stocks and shares ISA with Halifax. However, the complaint at this service has been pursued by just Mr D.

Halifax issued an initial final response letter dated 30 October 2023 whereby it rejected the complaint. In that letter, it explained its limited role as a product provider for the investment ISA. It noted how Mr D was responsible for keeping track of updates and performance, and taking any appropriate steps if he sees fit – ideally by seeking financial advice (something Halifax could not offer). Halifax also explained the circumstances of volatility experienced by the different asset classes within the fund across recent years.

In a further letter of 28 December 2023, Mr D explained that he disagreed with Halifax. He said if he were required to monitor his investments, he would question why the fund has a management fee. He also felt Halifax hadn't explained what steps it had taken over the years to avoid losses/negative fund performance. Mr D said he felt that, in retrospect, he and his wife would have simply been better to place their capital into premium bonds.

Halifax then rejected the complaint again in a second final response letter dated 17 January 2024. It said it did not actively control Mr D's investment – that remained his responsibility. Its role was to operate the fund. If Mr D was unhappy with the performance of the fund, he could switch funds, withdraw his money or transfer the ISA altogether to another business.

In terms of the negative performance, Halifax explained how external economic factors that generally influenced financial markets in recent years were beyond the influence of fund managers. Halifax also explained to Mr D that the Annual Management Charge (AMC) was a static fee to cover its costs in managing the funds. The AMC was taken as a percentage of the overall fund value on a daily basis and the percentage of the fee did not change, whether the value of the investment increased or decreased. It reiterated again that if Mr D was unhappy with the AMC, he could switch the funds he was invested into to a lower charging AMC, transfer his investment to another provider or withdraw the capital from his investment. However, Halifax could not offer Mr D financial advice about these options.

Mr D remained unhappy with the outcome of the complaint, and referred it to this service.

One of our investigators reviewed the complaint, but he did not believe it should succeed. He explained that the Halifax Cautious Managed Fund had shown some notable downturns in performance, due to external political and socioeconomic factors. However, the general trend of the fund had been in line with other similar cautious funds over the last five years,

and he had not seen any suggestion that Halifax was operating it unfairly.

Mr D said he remained unhappy. He felt that Halifax had given the impression that the investments would be actively managed to protect his money from the impact of external forces – hence having invested in a cautious fund. Mr D asked for the complaint to be considered by an ombudsman.

Halifax had no other comments to make. As requested, the complaint has now been passed for review by an ombudsman.

### **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.

Though I realise my decision will be disappointing for Mr D and despite my sympathy for his frustrations about the performance of his ISA, I am not going to uphold this complaint. Following my independent review of the evidence, I agree with the outcome our investigator reached, for principally the same reasons.

This service's role is to investigate disputes and resolve complaints informally, whilst taking into account relevant laws, regulations and best practice. In reaching my decision, I'll focus on the issues I believe to be central to the complaint to decide what I think is fair and reasonable in all of the circumstances. We are not a court; and though there are rules I may rely on in respect of complaint handling procedures, I am not required to comment on each point or make specific determinations on every submission put forward by the parties.

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. 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 consisting of assets such as securities. So, I am not able to investigate whether the performance of the fund is unreasonable or not.

Consequently, it's also important for me to point out that we do not act in the capacity of a regulator. That remit falls to the FCA. I know that my explanations will be disappointing for Mr D as I believe he would like this service to provide its view on the fund performance. But, for the reasons set out, I am not able to do that.

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

Mr D's unhappiness with the performance of the Halifax Cautious Managed Fund is not evidence in itself of any wrongdoing by Halifax. It has given a clear explanation of how the fund – in comparison with other funds in the 20-60% shares sector with the same broad mix of asset classes – has operated comparative to the overall sector.

Further, external factors have had an influence on cautious funds of this nature. For example, in 2022, funds which target investment returns through traditionally stable, low risk instruments such as gilts and bonds were unusually volatile with many suffering significant

losses. As described by both Halifax and our investigator, this was due to unforeseen domestic and global and geopolitical issues such as the September 2022 budget, the Russia – Ukraine conflict and the economic impact of the pandemic causing increasing inflation and interest rate rises, which in turn negatively impacted the value of these types of funds.

However, there was nothing to say that Mr D's investment wouldn't perform better in the future, noting that Mr D is aware that the value of his ISA can fall as well as increase.

Overall, I am not persuaded that the fund selection was unreasonable. Whilst other investment funds with a similar risk profile might've done better, this doesn't mean that there has been mismanagement by the fund manager(s). In its final response letter, Halifax explained the reasons for the limited performance of the fund. Further, it has issued ongoing statements, fund fact sheets, and periodical reports giving a detailed explanation from its portfolio managers as to its actions across each reporting period.

Both Halifax's Key Features Documents and the fund fact sheets set out how *"the value of your investment can go up and down and you may get back less than you invested"*. The annual reports also highlighted the investment risks of the fund showing five years of historic performance and noting that *"past performance is not a guide to future performance. Investment value and income from [the fund] may fall as well as rise, as a result of market and currency movements. You may not get back the amount originally invested."*

I consider that the information provided by Halifax was reasonable; it explained the overall performance from the business's perspective against the wider market influences. I've not seen any objective evidence that would lead me to conclude that Halifax has mismanaged the fund, unfairly applied its ongoing management fee or that it has otherwise unreasonably provided information about the fund.

It follows that though the ISA may not have delivered the returns Mr D expects, this of itself is not a sufficient reason for me to uphold the complaint about Halifax's mismanagement of the Halifax Cautious Managed Fund. And since I'm satisfied that Halifax has dealt with the complaint fairly, I won't be asking it to do anything further.

### **My final decision**

I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 27 January 2025.

Jo Storey  
**Ombudsman**