

## The complaint

Mr B has complained that City Asset Management Plc (CAM) didn't properly disclose the level of fees applicable to his Self Invested Personal Pension (SIPP) and that, as a result of those fees, his SIPP has a lower value than it should.

## What happened

In August 2011, CAM wrote to Mr B to set out details of the charges which would be applicable on his SIPP under its discretionary management arrangement for his pension portfolio. According to CAM, this was as follows:

- One-off payment of £1,650 for advice on whether to consolidate existing pensions into a single SIPP.
- One-off SIPP set up costs of £200 plus VAT.
- EBS SIPP annual charge of £350, plus VAT, payable in advance.
- CAM discretionary investment management service, including annual suitability review of SIPP, at 1% plus VAT pa payable six monthly in arrears.
- Investment dealing costs of not more than 1% on transactions up to £10,000 and 0.5% thereafter.

In February 2024, Mr B complained to CAM on the above basis. CAM responded to say, in summary, that the charges had been clearly set out in writing at the outset of the relationship, that the fees charged have been consistent with the fee structure, and that it has been transparent about the fees being charged.

Dissatisfied with the response, Mr B referred the matter to this service. One of our investigators considered the complaint, but didn't think that it should be upheld. In summary, he said the following:

- CAM had provided consent for this service to consider the complaint, and as such there were no issues of jurisdiction to determine.
- The first step was to confirm whether Mr B had agreed to the charges which had been applied. The letter dated 10 August 2011, in which CAM proposed transferring to the SIPP and the underlying investments, contained a section outlining the costs involved (as set out above). So it appeared that CAM did set out the fees involved at the point it provided its recommendation.
- Within the original application form, in the declaration before Mr B's signature, which was partially obscured by what was assumed to be a sticky note, it said the following:

*"7. I/We have read and understand the Schedule of Fees, Charges, and Commis  
[sic] ... B, which follows the declaration and accept the terms therein."*

- Within 'Part B Schedule of Fees, Charges, & Commissions' it set out a further table of charges, which matched those within the recommendation letter.
- In terms of whether the fee structure had remained the same over time, the investigator said that he'd asked CAM to explain the level of fees charged, specifically between 1 April 2022 and 31 March 2023, and how they related to those agreed at the outset. CAM had said the following:

*"As to the query on the charges, the client has an IMA with AMC of 1% and a dealing charge at 1% on first 10k and 0.5% on above and if you look at the quarterly valuations you will see that this is the rate used for charging. However, there are several reasons this number can be skewed when reporting on the annual cost and charges report. First, the value it is using is an average value for the year so the values at the time of the actual charge can vary, the ongoing charges includes the VAT added to the fees as detailed in their IMA, and because this is a SIPP, it can include any SIPP fees that may be applied in the year. All of these factors can make the value used in cost and charges report and the percentage of that value skew from the actual underlying percentage or charge at time of the event."*

- This would seem to explain why the charges weren't identical to those agreed in 2011. Taking into account the SIPP charges in addition to the 1% annual management fee, this would increase the overall percentage slightly. The 1.29% didn't appear to be out of line with the expectations.
- The 'transaction costs' at 0.81% fell between the 1% and 0.5% quoted for different value transactions.
- Although this service didn't possess actuarial services to be able to precisely check the charges which had been levied, in the round it did appear that CAM's explanation was reasonable, and the charges being levied matched what was originally agreed in 2011.
- There was also no indication that CAM had failed to provide the service it agreed to provide in 2011. As Mr B had agreed to these charges, they had been correctly applied, and the service had been provided, there were no grounds upon which a refund of charges could be recommended.

Mr B disagreed with investigator's findings, however, saying the following in summary:

- From his perspective, the point remained that, until CAM wrote to him setting out the full extent of the charges, which was quite recently, he had no idea that the fees were so high.
- When he most recently met with CAM, there was a telling moment when he asked when the fees went up, and CAM "sheepishly" responded that they hadn't. Rather, CAM hadn't needed to reveal the full extent of them to Mr B until a recent change in regulations required it to do so.
- Although this service may not have an actuarial facility, he was no accountant either, and whilst he agreed to the charges, he wouldn't have done so if CAM had been fully and transparently spelt out that it would be charging around £15,000 pa.
- Further, unless a consumer was an actuary or accountant, until CAM recently spelt

out by letter exactly what the charges are on an annual basis, it was very difficult to interrogate its fees from its previous statements.

- It was simplistic, as a layman that relied on CAM's advice, to say that, as he'd agreed to the charges, they'd been correctly applied, and the service had been provided, it would be unreasonable to require CAM to provide a refund.
- In terms of CAM's response to his complaint, in that: the charges had been clearly set out in writing, that the fees charged had been consistent with the fee structure, and that CAM had been transparent about the fees being charged, Mr B didn't accept the first and third points.

As agreement couldn't be reached on the outcome, it's been referred to me for review.

### **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.

And having done so, whilst I know this will disappoint Mr B, I've reached the same conclusions as the investigator, and for similar reasons.

Mr B has said that the investigator's consideration of the complaint here has been simplistic, but I think he has correctly identified the relevant tests here, these being whether the fees were set out at the outset in a clear and transparent fashion, whether they've been charged correctly since, and whether the service being paid for has been provided.

I'd say at the outset that I've seen no challenge that CAM hasn't provided the service paid for, or that there's the suggestion that advice to enter into the arrangement was unsuitable, and so I haven't considered these aspects in this complaint.

But in terms of the manner in which the fees were initially set out, I think that this was sufficiently clear so that Mr B ought reasonably to have been aware of what would be charged to his SIPP account. This may not have been translated into a monetary sum, but I don't think that it would have been unduly onerous for those charges expressed as percentages to be applied to a fund value at any given time to determine the monetary amount which would have been chargeable.

And Mr B agreed to the known charges, and in the case of the individual fund charges, unknown (but minimised as far as possible) charges, as set out in the August 2011 letter.

As regards the amounts which have been charged since 2011, I agree with the investigator's conclusion that the percentages aren't at odds with those originally set out. It needs to be borne in mind that the percentages are applied to an average fund value over 2022/23, and so may not precisely match the fund value given in the 2022/23 statement. But the 1% management fee was subject to VAT and then the £350 annual SIPP fee, plus VAT, would bring the total chargeable on the relevant fund value for 2022/23 to around 1.29%. The investment dealing costs (so for the "buy" and "sell" transactions involved in the management of the portfolio) were envisaged to be between 0.5% and 1%, and for the 2022/23 year they were within this range, at 0.81%. And then CAM had also explained that there would be further, albeit unknown, individual fund charges. But as set out above, it did say that it would wherever possible try to invest in institutional classes of fund to minimise those costs.

And so the known costs, amounting to a likely 2.2% (when VAT is factored in), plus the £420

(including VAT) SIPP fee, in addition to the individual fund costs if requested of CAM, could have been applied to Mr B's fund value at any time since 2011, and as I've said above, I don't think this would have been unduly onerous to calculate as a monetary sum if applied to a fund value.

Mr B has noted that CAM has more recently set out the charges in more explicit monetary terms, but I don't think this means that it was previously attempting to conceal the charges from Mr B. And in situations such as this where the fund value would be fluctuating on a daily basis, I don't think that setting out the charges in percentage terms at the outset would have been unreasonable.

### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 February 2025.

Philip Miller  
**Ombudsman**