

The complaint

Mr and Mrs L, as trustees of the L Family Trust (“the Trust”) complain that they were given unsuitable investment advice by Sandringham Financial Partners Limited, referred to as “SFP”.

They’ve raised many complaint points, but in summary, they’re unhappy about the following:

- The performance of the investment(s), resulting in an 18% loss in two years, or higher, compared to cash account or fixed rate bond.
- The (flawed) process determining a low to medium attitude to risk (ATR). If conducted properly, they would’ve been advised to only invest in low-risk funds or not invest at all.
- The investment was placed in one ethical fund (same as their personal investment), so there was no diversification. There was insufficient research before the fund was recommended.
- The investment wasn’t managed actively. If done properly, they would’ve been advised to switch funds when the loss went above 11%.
- They were encouraged – via the fee structure system – to invest too much money.
- They weren’t warned about negative growth on the investment, impacted by the fees.
- The unilateral termination of services without consulting them.
- The service they received from the adviser(s) and the impact the whole thing has had on them.

What happened

Because Mr and Mrs L originally complained, not only as individuals but also as trustees (on behalf of the Trust) the complaint has been split into two and will be dealt with separately.

Although the issues (in the main) remain the same, this decision will only deal with the investment placed in the trust, and not the investment made by Mr and Mrs L in their personal capacity.

On 17 April 2021, Mr and Mrs L were called back by an adviser (Mr R), who was an appointed representative of SFP, following an enquiry they made online for an Independent Financial Adviser (IFA). They wanted advice regarding their ISAs and bonds which were due to mature (valued around £100,000). They were (initially) looking to invest £40,000, placed in trust, for their children and grandchildren.

On 26 April 2021, they met with the adviser face to face. The purpose was to complete a fact-finding exercise and discuss terms of business. At the time they were 72 and 75 years of age. The meeting duration was over three hours.

A subsequent meeting took place on 13 May 2021, to discuss investment strategy and an investment amount. An ATR questionnaire was also completed. This meeting lasted a similar amount of time as the first.

On 18 May 2021 Mr and Mrs L contacted Mr R via email wishing to delay the investment. They undertook to contact the adviser to confirm their position in due course.

On 20 May 2021 Mr and Mrs L contacted the adviser with additional queries, focussing on the initial fees, charges and what would happen if Mr R moved or changed career. On 25 June 2021 SFP said that a presentation meeting took place to reconfirm the advice given and seek approval to proceed, which is what happened in due course.

I note that Mr and Mrs L were advised to invest £40,000 in two stocks and shares ISAs – a total of £80,000 – with £40,000 to be held in a Discounted Gift Trust. The set up and type of trust is not the subject of complaint.

Mr and Mrs L were advised to invest in the BMO Sustainable Universal MAP Cautious Fund C which later became the CT fund, referred to as the “*BMO fund*” which is something that they’re not happy with.

One of our investigators considered the complaint but didn’t think it should be upheld. In summary, he said:

- Financial businesses are expected to have processes in place to carry out ATR assessments. Although there’s no specific requirements as to how they should do this, it’s usual practice for a firm to record such information in questionnaires and notes from meetings – which is what SFP had done here.
- It’s likely that Mr and Mrs L’s financial circumstances and ATR were discussed in some detail during the two meetings in April and May 2021, even though some of the conversation was of an informal nature.
- The questions weren’t deliberately vague or repetitive, they were designed to pick up inconsistencies. Mr and Mrs L were found to be ‘amber’ in their consistency rating. This approach wasn’t uncommon, or inconsistent with industry practice, in determining an investor’s ATR.
- It’s evident from the adviser’s notes that this was discussed and Mr and Mrs L were satisfied with their “four out of ten” risk rating – they understood that the fund value can rise and fall.
- Mr and Mrs L had a high capacity for loss (“CFL”) which wasn’t an unfair conclusion. They had around £182,000 on deposit, an income of around £5,000 a month (with a surplus of around £3,000) and they planned to downsize their property. Mr and Mrs L also had a long-term investment horizon and no immediate need for the money.
- Whilst it’s difficult to know for sure what was (and wasn’t) discussed at the time, the suitability reports (sent to Mr and Mrs L in June 2021) confirms the following:
 - *“Your attitude to risk assessment resulted in a risk profile 4, which we have detailed in your risk report, your agreed risk level for this investment is a level 4. This investment has the characteristics of a level 4 investor. You hold sufficient capital on deposit for any emergencies and therefore have a ‘capacity for loss’. This is important as this investment carries no guarantees of positive returns. Your investment can fall in value.”*
- Mr and Mrs L had an opportunity to correct or query anything they didn’t agree with but didn’t.
- SFP made reasonably clear its reasons for recommending the Trust and the BMO fund. In summary, it said:
 - *“This will allow you to gift a proportion of your assets for your family’s benefit.*
 - *The beneficiaries are not set and as the Trustee you will have the ability to control when and how this investment is used.*
 - *In line with your objectives – You wanted to invest sustainably, in-line with the UN’s sustainable development goals to try to achieve growth on investments*

over the long-term, above that available as interest on cash. The recommended fund aims to achieve this”.

- Despite what Mr and Mrs L say about other funds not being discussed, the BMO fund recommendation wasn't unsuitable given that it met their objectives.
- Although the losses occurred over a relatively short period, over what was a turbulent period in the financial markets, the investment was meant to be held for at least five years.
- In any case, Mr and Mrs L weren't given any guarantees as to what they'd get back, and their capital wasn't protected. In this instance poor performance doesn't mean that the advice was unsuitable.
- Mr and Mrs L are unhappy that there wasn't more diversification. But the BMO fund was diverse, with a mixture of fixed interest investments, UK Government bonds, and equities from around the world which doesn't make the advice unsuitable.
- SFP is entitled to set its own fees. It's not for our service to say what it can and can't charge, so long as it has made the fees clear which it has done in this case.
- SFP is not under an obligation to reduce or waive its fees just because the investment hasn't performed as they would've liked. There was nothing to suggest that the fees were unaffordable.
- Although Mr R told Mr and Mrs L (when they first met him) that he wasn't likely to move, he did, shortly afterwards and this caused some inconvenience. However, he introduced them to a replacement financial adviser who would continue to look after them.
- Despite what Mr and Mrs L say, neither adviser recalls advising them about switching funds if the value fell below a certain percentage. The adviser is satisfied by SFP's explanation that such a recommendation would be against its usual process unless a customer's objective changes. Particularly as the investment was to be held for the longer term.
- SFP was entitled to end the relationship and doesn't need to provide a reason for making that decision. In this case however SFP felt that the relationship was no longer beneficial to either party as Mr and Mrs L were clearly unhappy with the service they were getting.

Mr and Mrs L disagreed with the investigator's view and asked for an ombudsman's decision. In summary, they made the following key points (in relation to both their complaints):

- In February 2024, they submitted a 20-page complaint to our service containing a catalogue of failings they experienced (to which SFP provided a 35-page response). Six months later they were shocked to receive a view rejecting every aspect of their complaint that the investigator considered. They don't believe the investigator's conclusion was fair or objective.
- The investigator assumes that just because the April/May meetings were quite lengthy, there must've been a lengthy discussion. This is not the case as a great deal of these meetings was spent talking about completely unrelated subjects.
- Having not invested in the previous 30 years they didn't appreciate the importance of the ATR assessment. In amongst seven key objections raised by them, they say: the adviser read out the questions rather than giving them the questions in writing; despite what the investigator says, the questionnaire is flawed; the fact that their rating was 'amber' suggests that their answers couldn't be relied upon; being a four out of ten meant very little to them.
- The investigator said they had a high CFL, SFP seems to have interpreted this as significant losses, of the kind they experienced. But the children who depend on the legacy from them, don't have the same capacity for loss.
- They don't agree with their monthly spending amount (£1,850) and maintain that SFP

had very little understanding of their financial situation.

- They don't dispute the fund in which SFP put a substantial part of their funds was ethical, and suitable for ATR four, but they dispute it was an accurate reflection for them.
- They wanted to invest ethically but the fund didn't have to comply with "UN's Sustainable Development Goals" because they knew nothing about it.
- They would've been concerned if they'd realised that both the £40,000 for the Trust and £40,000 for the ISA was being put into the same fund. They know little about investing but know about the "*critical principle of diversifying in order to spread risks*".
- Whilst the fund might be comprised of several assets, it was still a single fund. It can't spread the risk as effectively as it could spread the £80,000 between two or three funds. The latter might've mitigated the loss.
- Having discussed the matter with a very experienced IFA, he said that he "*would never recommend putting all assets into one fund, especially when an IFA has access to the whole marketplace.*"
- The investigator hasn't commented on the fact that SFP failed to explain the financial scenarios in the "Novia Key Facts" and "HSBC Illustration". Amongst many issues, they only showed the impact of fees on the mid-growth option. Even if SFP wasn't required to do any of this, they would still expect a responsible IFA to do so.
- SFP hasn't shared a breakdown of the costs. It has continued to take fees despite the investment not doing well and has done very little to earn it.
- They don't believe their investments have been managed, as they don't think the fund has been monitored and no changes have been recommended when it wasn't meeting their goals. From questions raised, they recall that they were told an 11% loss would trigger a recommendation for switching.
- Their objectives for these investments (growth in excess of the rate of interest or inflation) remains the same, their financial circumstances are not to change either. In the circumstances it seems SFP would never have recommended a fund switch.
- The transfer of the IFA has nothing to do with their inconvenience. They made clear to Mr R at their first meeting how important it was to maintain a long-term relationship. They were shocked by the brief call from the adviser, only six months later, to inform them (not consult them) that he was about to transfer. Sometime later they discovered that the other adviser was less qualified.
- They expected SFP to do something about the fall in their investment value rather than terminate its relationship with them. They expected a handover, initially their new adviser didn't seem to understand the concept, but after asking him specific questions he gave them some minimal information.
- They're surprised that our service is described as informal.
- The losses they sustained were more than they could've imagined. Their decision to invest with SFP was disastrous – they are now managing the investments themselves having lost all faith in IFAs.
- They paid £2,400 in fees and several thousand pounds in ongoing fees, and now they've lost out too.

The investigator having considered the additional points wasn't persuaded to change his mind. In summary, he said:

- The financial scenarios within the Illustration documents (which Mr and Mrs L say he failed to address) showed the projections provided, based on rates of growth set by the Industry Regulator the Financial Conduct Authority (FCA). In any case they were told that their investments could fall.
- Our service is a free informal dispute resolution service for members of the public and small businesses – alternative to the county courts. As an investigator it's his role to concentrate his findings on what he considers are the most pertinent points,

and issue a decision based on what is fair and reasonable. So, it's not possible to respond to, or comment upon, every point made.

- Although the FRL was issued after 11 weeks, Mr and Mrs L were free to bring the complaint after 8 weeks.
- Whilst he's sorry about the delays Mr and Mrs L experienced following their request for investment valuations, this isn't a reason to uphold the complaint.
- The above notwithstanding, he maintains his view, for the same reasons.

As no agreement has been reached, the matter has been passed 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.

Having done so, I agree with the investigator's conclusion for much the same reasons. I'm not going to uphold this complaint.

On the face of the evidence, and on balance, despite what Mr and Mrs L say, I'm unable to safely say that SFP behaved unreasonably such that this complaint should be upheld.

Before I explain why this is the case, I'd like to thank the parties for their considerable patience whilst this matter has awaited review by an ombudsman, given the current demand for our service.

It's also important to note I very much recognise Mr and Mrs L's strength of feeling about this matter. They have provided clear, well-argued, and detailed submissions to support the complaint, which I've read and considered very carefully. But unfortunately for them, I haven't been persuaded by their submissions in this case. I hope they won't take the fact my findings focus on what I consider to be the central issues, and not in as much detail, as a discourtesy.

The purpose of my decision isn't to address every single point raised. My role is to consider the evidence presented by Mr and Mrs L and SFP, and reach what I think is an independent, fair, and reasonable decision based on the facts of the case.

I think Mr and Mrs L's complaint is primarily about the value of the investment held in trust (decreasing overall and/or not growing as they'd hoped), thus their unhappiness about the management of it, and consequently about the fees paid, all of which I will address below.

I don't uphold this complaint, in summary, for the following reasons:

ATR

- On the face of the evidence, and on balance, I'm satisfied that Mr and Mrs L's ATR was correctly assessed – as low to medium – via a risk questionnaire, fact find and lengthy discussion with them. Despite what they say, I'm unable to say that this methodology (which is common industry practice) was unreasonable or wrong.
- However, if their ATR was something they strongly disagreed with, notwithstanding the methodology by which it was assessed, they could've raised this important issue with the adviser at the time or soon after. I think the fact that they didn't raise any issues suggests that they were ok with an ATR somewhere in between low and medium.
- Mr and Mrs L now say that they should've been given separate questionnaires

(printed out on paper), but I don't see why, given that they were investing together – in trust for the benefit of their children/grandchildren – and an assessment was being made using their joint income. If they wanted a paper copy, they should've asked for one, or used the iPad themselves. Although they say they can't recall, SFP maintains that the iPad was offered.

- I'm mindful that Mr and Mrs L had a reasonable amount of time to consider matters. I note they postponed going ahead, and only made an informed decision to do so after seeking further clarification from the adviser.
- I think the points they now make about ATR, have been raised with the benefit of hindsight. If they wanted to leave some, or all, of their funds in a cash account, they were free to do so, but they choose to follow the advice and invest (almost double of what they'd intended to invest in the first place) in the hope of better returns. So, this isn't something that I can blame the adviser for.
- In the circumstances, and on balance, given their aims and objectives for growth, I don't think a "four out of ten" risk rating was unreasonable. I note they agree that the fund was suitable for investors with a four ATR but argue that they're not a four, which I disagree with in light of the assessment carried out by the adviser.
- I don't agree with Mr and Mrs L that the questions were deliberately vague, I'm persuaded that they were designed to pick up inconsistencies. I note Mr and Mrs L were found to be 'amber' in their consistency rating, but this doesn't mean that their risk rating was inaccurate or unreliable. I'm satisfied it was another point taken into consideration by the adviser when considering and assessing their ATR.
- Mr and Mrs L have raised a number of issues about the questions, for example: "*Q1 I would be happy putting my money into the stock market*" they now say it depends on how much. Be that as it may, they ought to have discussed these issues with the adviser. Nevertheless, I think the question was designed to get their general response based on the standalone question. Despite what they say, I'm unable to safely say that the questions weren't fair, clear, or were misleading.
- Despite what Mr and Mrs L say about their CFL, given their circumstances (including their ability to replace some losses) I don't think SFP's findings are unreasonable. I'm mindful that they could afford to invest this money for at least five years and over the long(er) term, and they didn't need immediate access to it. If there was any issue regarding their expenditure, or any other details, they ought reasonably to have raised this with the adviser at the time. Otherwise, an adviser can only advise based on the information provided.
- Despite what Mr and Mrs L say about their investment experience, I'm unable to say that they're without any experience at all, even if it is from some time ago. In any case, I don't think this, or any of the other objections they raise about the way the ATR assessment was conducted, would've prevented them from appreciating the importance of risk.
- In any case, I don't think their experience, their ages, or circumstances would've precluded them from being assessed as a 'four out of ten' risk rating.
- Despite what they say, I've seen nothing to suggest that they were risk averse. Not having recent investment experience (as they say), didn't preclude them from taking a risk-based approach with their money (and placing the investment in trust for the benefit of their family). This was after all what they wanted to do with a portion of their money in the first place.
- I note Mr and Mrs L say that they know little about investing but know about the "*critical principle of diversifying in order to spread risks*". This would suggest that they were content to invest their money into one fund, with various assets classes. And, given their overall finances – including their income, property, and access to cash savings – I can't safely say that the recommendation to invest in one fund (with a low to medium risk) was unsuitable.
- In the circumstances, and on balance, I think it's more likely than not Mr and Mrs L

also wanted to invest their £40,000 (for their benefit) in the same way as the trust (set up for the benefit of their family). So that neither they nor the beneficiaries of the trust would miss out on any growth. In other words, if it was good enough for the beneficiaries, it was also good enough for them, and there would be some parity between the investments.

- Despite what Mr and Mrs L say about what large parts of the initial meetings were spent discussing – namely politics and family situation – I note they also acknowledge that it was important for an IFA to form a good relationship with his clients, which is what I believe Mr R did in this situation. I don't think the adviser would've insisted on discussing such matters if Mr and Mrs L didn't want to or objected to doing so. I note such was their relationship with Mr R that they're (still) unhappy he moved, even though they're unhappy about his advice.
- Based on conversations with their current adviser, I note Mr and Mrs L say that perhaps they ought to have been a level two or perhaps no risk investor, but I think the points they now make are done so with the benefit of hindsight.

The BMO fund.

- I don't disagree with SFP's reasons for recommending the BMO fund. Whether or not others were available, I'm unable to safely say that it was unsuitable given that it matched their aims and objectives.
- I also can't say that other funds weren't discussed at all. I also can't say that if they were shown other examples of similar funds, they wouldn't have still gone with this specific fund.
- I don't think its compliance with UN's Sustainable Development Goals is necessarily a bad thing. Even if Mr and Mrs L weren't specifically looking for this, it's not a reason to uphold this complaint.
- Whether or not it was suitable to invest £40,000 (in trust), in addition to the sums invested in their personal capacity in the BMO fund – which I don't think was unsuitable because it was more likely (than not) they wanted parity and consistency between the trust and the investment in their personal capacity – is something I've covered above.

Performance

- Poor investment performance is not something that I can blame SFP for, because it's not something that it could predict or control. Performance is down to a multitude of factors, including risk (which I don't think was unsuitable given their circumstances, aims and objectives at the time) and the global geopolitical climate, that SFP has no control over.
- I appreciate Mr and Mrs L were hoping for greater growth, but the portfolio growth not meeting their expectation doesn't mean that SFP did something wrong. I note that no guarantees were given as to how the investments would perform.
- The above points are fundamental as to why I can't safely say that SFP is to blame for the performance of Mr and Mrs L's portfolio, and/or why it shouldn't have to subsequently adjust the fees. The two key points, as I will clarify below, aren't connected.
- Mr and Mrs L appear to accept that market performance can fluctuate but according to them, they don't end up with losses, as in their case. I don't agree with them on this.
- In this instance the investment not performing as hoped, doesn't (automatically) mean that it was mismanaged. I can't say that investment performance and

management as such was connected in this case.

- Overall, and on balance, despite what Mr and Mrs L say, I'm satisfied they knew that the investment came with a risk, and at a cost, and with no guarantees. In other words, their capital wasn't guaranteed/protected, the service wasn't free, and the charges/fees weren't dependent on them making money.
- I'm persuaded that Mr and Mrs L could afford to invest and were in a good position to do so. I note they had an independent source of income that was separate to their investment. They also had access to a reasonable amount of money (in case of emergencies) and had capacity for loss.
- The latter of course doesn't mean that just because they could afford to lose money (or had means to replace any losses) it was 'ok' for them to lose money. I agree that capacity for loss doesn't excuse the business from doing what it was paid to do, in this case to provide suitable advice and managed their investments, which on balance it has done.
- It's arguable that the loss was broadly in line with a four out of ten (low to medium) risk investor. And whilst no doubt disappointing, I don't agree with Mr and Mrs L that the loss on their investments, was (comparatively speaking) significant in the circumstances. I'm mindful that this loss was only two years into an investment that should've been kept for at least five years, with a long(er)-term horizon.

Charges

- A business is entitled to set its own fees, if it has made this clear to the investor, which on balance I believe it has in this case. This is not something that our service would get involved in.
- I note Mr and Mrs L say that the initial set up fees – for their plan to invest £40,000 – would've been 3.75% (rather than 3%) based on the advisers £1,500 minimum fee, and a 1.875% (rather than 1%) ongoing fee, subject to a minimum of £750 a year.
- In the circumstances they say that they reluctantly decided to invest a further £40,000 to reduce the initial fee to 3% (£2,400 in total) and an ongoing fee of 1%. This doesn't suggest that they weren't familiar with the fees, which I also note they'd sought clarification on.
- I note Mr and Mrs L say that the fee structure was a strong incentive for them to invest more than the £40,000 they originally planned to invest and put in trust – but that's not something I can blame SFP for. Despite what Mr and Mrs L say, they weren't forced to proceed with the adviser and/or SFP and were entitled to seek advice elsewhere if they were unhappy with its fees and terms of business. Instead, they chose to proceed with SFP having spent time considering their position.
- I'm satisfied that Mr and Mrs L were provided with the key documentation setting out the fees as well as the Illustration (as per FCA guidance) which broadly set out the growth at low, medium and high level along with the impact of fees.
- I don't think it was necessary to set out what would happen if there was a negative growth – this not what businesses generally do, so I can't blame SFP for not doing so.
- The morality of charging a fee, despite negative growth, is not something that I can comment upon except to say that SFP was entitled to do so as per its agreement with Mr and Mrs L at the outset.
- In other words, the fees aren't linked to the level of returns, and Mr and Mrs L would have to pay as per the agreement, regardless of how the investment performs.
- In other words, despite their unhappiness at continuing to pay fees, SFP is entitled to charge Mr and Mrs L a fee for services provided. I can't say that its actions are unreasonable in the circumstances.

Termination of business

- SFP was entitled to unilaterally end the relationship with Mr and Mrs L. I note it says that they were unhappy with its services – so it probably thought it was best for both parties to end the relationship. In any case, SFP wasn't required to give a reason if it didn't want to.
- Mr and Mrs L were also at liberty to unilaterally end the relationship with SFP, if they wished to, and move their investments elsewhere, without giving an explanation. So, in the circumstances and on balance I can't say that SFP has behaved unreasonably by ending the relationship with Mr and Mrs L because of their (continued) unhappiness with it.

Potential fund switch

- I note that neither adviser recalls advising Mr and Mrs L about fund switches if the fund value fell below a certain percentage. I note SFP maintains this isn't what an adviser would do. Despite what Mr and Mrs L say, I think it's likely that this didn't happen. It's also possible that whatever was said, was misunderstood by them.
- But even if they were told this, it doesn't mean that SFP was duty bound to (automatically) take action – simply on the basis of an 11% loss in value – without any regard to other key factors, such as how long the investment has been in place and external factors that are beyond its control.
- The above notwithstanding, I'm satisfied that SFP made a judgement call, that switching funds – or moving to cash shortly after investing (thus crystallising the losses) – was unsuitable in the circumstances given Mr and Mrs L's aims and objectives and given the length of time they'd been invested.
- I note the investments were with SFP during the Covid-19 global pandemic, which was a very volatile, unpredictable, and unprecedented time for the financial markets and consequently for investors alike. I think SFP did what it thought was best for the portfolio during this period and acted in good faith.
- Based on what SFP says, I agree that it wasn't wrong to make changes – despite having longer term goals – in the face of short-term volatility.

I appreciate Mr and Mrs L will be unhappy that I've reached the same conclusion as the investigator. Furthermore, I realise my decision isn't what they want to hear. But on the face of the available evidence, and on balance, despite what they say, I'm unable to uphold this complaint and give them what they want.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs L to accept or reject my decision before 3 March 2025.

Dara Islam
Ombudsman