DRN-5059293

The complaint

Mrs O complains about investment advice she received from Hargreaves Lansdown Advisory Services Limited (HL) in 2019. She says HL's advice exposed her to losses within her savings and pension that she couldn't afford.

What happened

Mrs O had a range of investments, and a SIPP, which she'd been getting advice about from HL since 2013. In 2019, Mrs O was approaching retirement and wanted further advice from HL on what to do with her money to secure an income in retirement.

HL recorded information about Mrs O's objectives, financial position and attitude to risk, which it detailed in the financial report it sent her. In summary, it was agreed:

- Mrs O wanted to enjoy a comfortable living in retirement, and would need an income of around £25,000 a year to do so. She also wanted to retain flexibility and control over her pension.
- She had an un-mortgaged home worth £400k, around £55k on deposit and £68k in stocks and shares ISAs. She had around £350k in her personal pensions, and was due to begin receiving the state pension (worth £9,000 a year) in May 2020. She also had a pension due from France whose value was uncertain.
- Mrs O had held investments of one sort or another since the late 1990s. She had experienced significant losses on some investments, and had experienced volatility on her HL investments in recent years.
- Mrs O was recorded as being *“not that interested”* in investments and wanted an adviser to point her in the right direction.
- It was recorded there was a discussion of risk, and in particular of the proportion of Mrs O's money she preferred to be invested in equities versus bonds. The report notes that initially Mrs O said she didn't *“know what would be an optimal mix”* but that it was concluded she would prefer the majority of her investment in shares as she felt this gave *“greater potential for capital growth”*.
- Mrs O was going to keep a cash reserve of £25,000 to £30,000 which she felt was more than sufficient. She said a fall in the value of her investments was *“not going to have an immediate impact”* on her standard of living.
- The strategy proposed was to invest in a way that Mrs O could use the natural income from the investments to withdraw, without needing to sell down capital.
- Mrs O was *“not interested”* in purchasing an annuity because she wanted to retain more flexibility over her pension funds. At the rates at the time, Mrs O's pension (after taking the allowed 25% tax free cash out) would have been able to buy an annuity paying around £14,500 a year.

HL then made the following recommendations:

- To leave a cash reserve of £25,000, and consolidate her remaining savings, investments and pension.
- To invest this money across ISAs, her SIPP and a general investment account, split 60%/40% across two HL managed funds – 60% in the HL Multi-Manager Income &

Growth Trust (the IG fund), and 40% into the HL Multi-Manager High Income fund (the HI fund).
- HL said that based on the current yield of these funds, Mrs O's total investment of just over £400k should produce a natural yield of around £18,000 a year for her to take as income.
- The portfolio would also have the potential to grow, in order to further support Mrs O's lifestyle or to give her money to pass on in future.
- HL said the portfolio would be invested in line with Mrs O's appetite for risk – initially around 80% in equities with 16% in Bonds and 4% in cash.
- The multi-manager funds would themselves invest in other funds, meaning the overall portfolio contained a well diversified spread of investments to mitigate the risk.

Mrs O accepted HL's recommendations, and the investments were put in place in April 2019.

In May 2020, Mrs O complained to HL about the advice. In her complaint she said that she'd been distressed by the performance of the Woodford Equity Income Fund (WEIF) which she held a significant investment in. She said the fund had failed soon after her investments had been made in 2019, and questioned whether HL should have recommended investments that included exposure to the fund. She said she was unhappy at having paid for this advice which resulted in *"significant losses [to] my portfolio"*.

HL responded, saying it didn't think it had given Mrs O bad advice. It said it had reviewed the overall advice she'd been given, and thought it was suitable for her objectives and risk appetite. It explained the WEIF wasn't something Mrs O had been advised to invest in directly in 2019 (and in fact had disinvested from to make the new investments) but the fund was one of a number held within the two multi-manager funds she'd been advised to put her money into. It explained it was satisfied the WEIF was an appropriate investment for those funds to have held, and didn't think it had misadvised Mrs O or mismanaged its funds.

Mrs O brought her complaint to our service. One of our investigators looked into things and thought the complaint should be upheld. He said:

- Mrs O wanted to avoid *"high"* or *"very high"* risk investments.
- The adviser failed to mention or discuss the WEIF specifically in making his recommendations, but it made up nearly a quarter of her pension.
- By 2019 the WEIF was a different fund to when it launched, and had become a special situations fund balancing income and growth by investing in unquoted small and mid-cap firms. The investigator didn't think this was the sort of thing Mrs O wanted to invest her pension money in.
- The investigator said it wasn't usual to focus on one investment when advice is given across a portfolio, but he'd taken account of the significant proportion of Mrs O's money invested in the WEIF.
- He noted that other than the WEIF, the IG fund contained around 4% exposure to emerging markets and 2% in a global income fund, as well as other funds focussed on special situations and small cap companies.
- Overall he thought the advice exposed Mrs O to too much risk.
- He recommended HL compensate Mrs O by comparing the performance of her HL portfolios (across her ISAs, SIPP and share account) to that of the FTSE UK Private Investors Income Total Return Index.
- He also thought HL should pay Mrs O £250 for the distress she'd been caused by the unsuitable advice.

HL didn't agree. There followed some back and forth between the investigator and HL, crucially around the true amount of Mrs O's investment that had been invested (albeit indirectly) in the WEIF following the 2019 advice. Eventually it was established that this was around 8.4% of Mrs O's total investment portfolio, and not as high as set out in the investigator's initial assessment.

The investigator wasn't persuaded to change his mind on the overall outcome, however. He remained of the view that *"the recommendations as a whole were unsuitable"* for Mrs O. He said he didn't think Mrs O wanted to take the level of risk the two funds HL recommended exposed her to.

HL provided substantive responses to the investigator. In brief summary it said:

- The investigator had given too much weight to the fact the recommended funds held some holdings in the WEIF. The actual exposure Mrs O had to this fund was relatively small at 8.4%.
- In other cases our service had found that holdings of around that amount of the WEIF didn't make advice on a portfolio unsuitable where the level of risk of the overall portfolio was appropriate.
- The investigator hadn't sufficiently explained why he thought the overall portfolio risk was outside Mrs O's appetite or tolerance.
- The inclusion of some holding in the WEIF within the multi-manager funds was within the scope of those funds managers' discretion, and shouldn't be conflated with any wider conversation about the views other parts of HL had about the fund in the context of its inclusion in its Wealth Lists.
- It maintained the portfolio it had recommended for Mrs O was suitable for her. In particular:
    - Mrs O wanted a hands-off approach and so wanted investments with higher levels of day-to-day management.
    - Mrs O was advised to retain more cash on reserve than normal to tide her over until her state pension became available.
    - Mrs O had also stated she intended to downsize her property, which would likely free up a further £130k-£140k. Overall she was left with plenty of cash buffer in the event her investments didn't perform well.
    - The selected funds were diversified and allowed access to a range of fund managers, sectors and asset classes. HL remained of the view they matched Mrs O's appetite for risk and allowed for her to achieve her objectives of generating income and growing her capital in the medium term.
- It also said it had reservations about the benchmark the investigator had chosen in his recommendation for compensation, although at this stage it hasn't expanded further on that point.

Mrs O agreed with the investigator's conclusions. She added that after suffering significant losses on a previous investment she *"could not afford to lose any more of my savings"*.

The complaint was passed to me and I issued a provisional decision on the matter. I said:

> Firstly I'd like to thank both parties for their patience, as I appreciate this complaint has been with our service for a long time. I'd also like to confirm I've read and considered everything that both Mrs O and HL have said and submitted in detail. The purpose of my decision isn't to address every point or argument in detail, it's to set out my conclusions on what's fair and reasonable and my reasons for reaching them. So I hope neither party takes it as a discourtesy that I've summarised their submissions in some brevity above, or that I don't address everything that's been said in the course of this complaint.
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> A lot of the discussion in the progress of this complaint has been about the WEIF. This

is to a degree understandable as it was this fund's high profile collapse and the subsequent loss to the value of Mrs O's portfolio which prompted the complaint. But I agree with both HL and our investigator that the complaint is about more than just the WEIF. Mrs O's complaint was about the advice she received in 2019 – and HL advised her on a holistic change to her investment strategy for her savings and pension, not just to invest in the WEIF. Where that overall advice is the subject of the complaint I think it's appropriate and necessary to consider that advice in the round when considering what's fair and reasonable in all the circumstances.

I'd also like to note at this stage that I find this to be a very finely balanced complaint. Mrs O had quite specific needs and objectives, and no advice is ever perfect. I am mindful that my role here isn't to second guess HL's advice with the benefit of hindsight, or to put myself in the adviser's shoes. It is to decide what I think is fair and reasonable in all the circumstances, taking account of (amongst other things) the regulator's rules on suitable advice. In other words, the thrust of my consideration is whether I think it was fair and reasonable for HL to have concluded this particular recommendation was suitable for Mrs O. Having considered this carefully, I don't think it was. I'll explain why.

I'm pleased to see the suitability report reflects an in depth discussion of Mrs O's objectives, her financial standing, her risk appetite, and a variety of options for achieving her goals. I think the adviser ensured he gathered the information he'd need to give suitable advice.

Mrs O's objective was relatively straightforward – she wanted to use her investments and pension savings to generate an income such that, when combined with her state and other pensions, she'd be able to live as comfortably as possible in retirement.

I note that the adviser clearly and repeatedly explained the option of taking an annuity – which would have given a guaranteed level of income for the rest of Mrs O's life. It is suggested in the report (which Mrs O hasn't disputed) that she wanted to retain flexibility, and the possibility of growing a pot she could leave to her descendants. I'm also satisfied that the adviser made it clear that by taking the option of drawing down her pension, she risked the fund depleting and leaving her short of money later in life.

The question then remained how to invest her money in a way that would give her the opportunity for that growth while providing an income which she could use to supplement her other pensions. This necessarily involved placing her money at some risk.

I've given weight to the record of risk discussions set out in the suitability report. It is clear that different asset classes, and different mixtures of those, was discussed at some length and I'm persuaded Mrs O gave a clear preference for a heavy equity weighting to her investments. But I'm also mindful of Mrs O's stated lack of interest in investments generally, and I think overall she was clearly minded to follow the adviser's recommendation whatever that may be. And while there seems to have been some discussion of capacity for loss and the impact of losses on Mrs O's lifestyle, I'm not persuaded the adviser made it clear to Mrs O that capital losses could also severely impact the income she was able to draw from the investments. The adviser seems to have placed a lot of weight on the fact Mrs O would draw the natural yield from the portfolio as income, and therefore be less impacted by market fluctuations in the value of the underlying shares.

While this is of course true to an extent, were Mrs O's portfolio to suffer a significant fall in capital value, the amount of income in cash terms would naturally also dip significantly, even if the portfolio produced the same yield in percentage terms. I'm not currently persuaded this risk and its implications was made clear to Mrs O.

I'll now turn to the portfolio Mrs O was recommended. As noted above, I've considered the portfolio in its entirety. But for completeness and as it has formed much of the focus of this complaint so far I'll start with the WEIF. At the time of the advice this fund presented a reasonably high level of risk to investors. It was predominantly investing in small and mid cap unquoted shares. While I don't think the dramatic fall in its value was necessarily foreseeable, it remains the case that a not insignificant portion (8.4%) of Mrs O's overall investment was exposed to this fairly risky fund. I say that mindful of the valid point HL has raised that because Mrs O's exposure was through its multi-manager funds, the proportion of her money's exposure to this or any other fund was highly variable and subject to the decisions of the fund manager. That being said the adviser's recommendations were based on the funds' makeups at the time of his advice and so I think these proportions are relevant.

Beyond the WEIF, there were a number of other funds which across both the IG and HI funds Mrs O was recommended, made up a significant proportion of her overall exposure.

Both funds had sizeable holdings in all of: The IFSL Marlborough Multi Cap Income Fund, the JOHCM UK Equity Income Fund, and the Artemis Income Fund. Across the entirety of Mrs O's portfolio these made up initially 10.4%, 13.6% and 11.2% of Mrs O's investments respectively. The IG fund then also had a holding in the Liontrust UK Equity Fund, which represented around 5% of Mrs O's overall portfolio.

These were all varieties of equity funds. The vast majority of the money in these funds was therefore invested in company shares, mostly in the UK but some with up to 20% exposure to overseas companies. They also had the capacity to invest in smaller companies in the hope of driving more growth and/or higher yield. This focus on yield and growth driven opportunities reflected in the overall risk the funds posed – all of them towards the top end of the risk reward profile indicated in their Key Investor Information Documents.

Along with the WEIF, these funds made up about half of Mrs O's total investment. The IG fund also itself held investments in individual company shares.

As HL has pointed out, the HI fund did also contain a number of bond fund holdings, which could balance out the risk some of these other funds presented to a degree. But these weren't, by and large, very safe government bonds. Taking two of the largest bond fund holdings, the Royal London Sterling Extra Yield Bond Fund invested in a range of bonds including *"sub-investment grade bonds (lower credit quality)*". And another, the Jupiter Strategic Bond Fund also invested in bonds including sub-investment grade bonds, as well as holding up to 30% of the fund in *"other transferable securities"*.

So overall, while I agree with HL that the makeup of the two multi-manager funds was clearly designed with maximising yield (either coupon from bonds or dividends from shares) as well as allowing the possibility of capital growth, they were exposed to, in my view, a fairly high level of risk in order to do so.

The spread of investments meant the vast majority of Mrs O's money was indirectly tied to the fortunes of individual companies, many of which were small or mid cap. Her bond exposure also skewed, in my view, more towards holdings where yield could be higher but equally the prospect of default and/or capital losses was equally greater.

Returning to Mrs O herself and the rationale for these recommendations. As I've detailed, I'm satisfied she had a defined need for income and the adviser did clearly explain why he felt these investment choices provided the opportunity for her investments to generate the natural yield required for her needs.

But I note that within the suitability report the projection – which I acknowledge was simply based on the most recent yield of those fund holdings and HL was clear to explain wasn't guaranteed in any way – suggested the portfolio might, after fees, return around 4.5% which equated to just over £18,000 a year across her investments and pension.

The SIPP itself was projected at that level of yield to return to Mrs O around £11,400 a year. Yet the report also details that at the rates available at the time Mrs O could have secured an annuity with her pension funds which would have paid her £14,500 a year.

So with any kind of income drawn from her non-pension investments, Mrs O could well have been better off, with an absolutely risk-free guarantee as to £14,500 of her income, than she would have been expected to in this portfolio based on HL's own projections.

I do note that things weren't quite as straightforward as that. I'm satisfied the adviser brought this to Mrs O's attention and that she had expressed an unwillingness to give up the flexibility and *potential* upside to both her income and capital that investing in a drawdown pension gave her, in order to take the security of a guaranteed income. But it remains the case that HL's recommendation meant Mrs O exposing her money to a fairly significant level of risk in return for what, based on HL's own projection, was likely to be a negligible or non-existent reward in terms of her primary objective - which was to secure income to support her in retirement.

As I said above, this case is a finely balanced one. But overall, taking everything into account, I'm not currently persuaded that it was fair and reasonable for HL to have concluded the advice it gave Mrs O was suitable for her.

The recommendation appears to have given a lot of weight to both Mrs O's aversion to an annuity and her comments around ideal asset mixes. But Mrs O was also someone approaching retirement who'd had little experience investing without advice, and who by her own admission wasn't interested in investments. I'm satisfied she would have followed whatever advice HL had given her.

Even if Mrs O didn't take an annuity, I think the advice exposed her to a significantly higher level of risk than was appropriate, for little to no benefit above and beyond flexibility and retention of access to her pension money. Not that these are small benefits, but I'm not currently persuaded they outweigh the risk she was exposed to. The nature of the portfolio meant she had a heavy weighting in more volatile sectors of both equities and bonds. And the overall equity weighting meant that a substantial downturn in the stock market would likely mean a significant fall in the value of her funds. While the adviser rightly pointed out she'd have the investment horizon to ride out many such dips, I don't think enough weight was given to the risk this also posed to the income she'd be drawing and required to live off.

I've also given weight to her cash reserves and the prospect of Mrs O adding to those through downsizing her property. But ultimately this advice was about securing income for her retirement and I've seen nothing to suggest she was happy with taking a high level of risk because she could fall back on her house sale proceeds to live off if her investments went against her.

For these reasons, overall I think these recommendations exposed Mrs O to more risk than she was willing or able to accept, or than was suitable for her circumstances and objectives at the time given the risk free income she could have received. So I intend to uphold this complaint.

I'm also satisfied that the losses Mrs O suffered as a result of the unsuitable advice were distressing for her. Like our investigator I agree that £250 is fair compensation for that.

Mrs O accepted my provisional findings, but HL didn't. In summary, it said:

- Mrs O had more knowledge and interest in her investments than I'd suggested, and wouldn't simply have followed whatever the adviser recommended.
- She'd expressed views on the makeup of her portfolio and had discussed and understood sequencing risk when considering whether to go with a drawdown pension arrangement.
- The risks to her income from possible falls in the capital value of her portfolio were discussed in the meeting when the recommendations were made, with it recorded that Mrs O and the adviser *"discussed income from nat yield typically more stable than the cap but that both fluctuate. [Mrs O] is keen to have the natural yield and if did decided wanted to take any extra out that would look at the best time"*.
- I was wrong to say that Mrs O should have taken out an annuity, and that the income would be higher than the natural yield of a drawdown portfolio.
- The annuity values quoted in the suitability report were for a basic annuity, and if an inflation proofed quote had been given it would have been a much lower income. HL remained of the view that the drawdown approach gave Mrs O the best chance of meeting her income and growth objectives. Mrs O had also clearly expressed her desire *not* to take out an annuity.
- HL maintained that the two multi-manager funds (MMFs) it recommended were blended to fit Mrs O's desired asset allocation.
- I placed too much weight on the makeup of the funds at the time of the advice, because the content of the funds could change at any time. The funds were selected because the adviser and HL trusted the fund managers to have balanced risk and reward within their process.

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.

I've considered HL's response to my provisional decision very carefully. But I've not been persuaded to depart from the conclusions I reached in my provisional decision, and so I make those findings and conclusions final here.

I acknowledge that Mrs O and the adviser appear to have had some discussion around the asset mix of her intended portfolio, and risks such as the impact of capital losses on income. I agree she had some knowledge of investments and how they worked. But I'm also mindful that in the meeting note it's recorded she specifically says she's *"not interested"* in investments. Her explanation of her investment experience is also fairly vague, referring to *"various funds, AXA funds that [I] really lost my [shirt] on"*.

I'd like to clarify that my comments around taking an annuity in my provisional decision weren't a suggestion that this is what HL should have recommended, or what I think Mrs O would have done. This is reflected in the way I think HL should put things right (i.e., I've not said she should be put in the position as if she'd taken an annuity). Why I think the annuity rate – acknowledging HL's point that the rate quoted was for a basic annuity – is relevant is simply because of the comparison between what was effectively the riskless rate of return Mrs O could have achieved, and the projected income HL said she might expect from this portfolio. I'm not persuaded it was fair and reasonable for HL to conclude it was suitable to take such an increased level of risk for what wasn't, in my view, likely to be a significantly greater reward for Mrs O, given her attitude to risk, objectives and overall financial circumstances at the time.

I say this for the reasons I gave in my provisional decision. I do also acknowledge that the adviser appears to have discussed risk and asset mix at some length with Mrs O. And that it's recorded she expressed a willingness to invest in a way that gave her a significant equity exposure. But I also note the meeting record says that one of the main reasons for investing mostly in shares was *"best chance for capital growth"*. While capital growth was clearly something desirable and Mrs O had mentioned being able to leave money to her descendants, it's also plain that income, and preferably a reliable income, was Mrs O's principal objective.

And while there is evidence of some discussion of the impact of capital losses on income, that appears to have been mainly about taking additional withdrawals over and above the yield she would take as regular income.

For the reasons I gave in my provisional decision, I don't think enough weight was given to the impact of a significant drop in capital value to the income Mrs O wanted and needed. That even if holdings within the funds continued to pay income at broadly the same percentage rate, the cash income Mrs O would receive from the portfolio's natural yield would fall significantly if the capital value of the portfolio fell significantly.

Taking everything into account, I remain of the view it wasn't fair and reasonable for HL to consider the advice it gave Mrs O was suitable. As I said in my provisional decision this is a very balanced issue and I've given it careful thought. The adviser discussed risk and asset mix with Mrs O and there's evidence she was comfortable with reasonably high equity exposure. But it was beholden on the adviser to recommend something suitable, even if that wasn't exactly the portfolio makeup Mrs O expressed interest in taking out.

Given her overwhelming income priority, and limited capacity to replace either income or capital if her portfolio fell significantly, and taking account of the relative projections for riskless income set against HL's recommendations, I remain of the view that the investment into these two MMFs exposed Mrs O to more risk than was suitable for her.

I accept HL's point that the makeup of those funds could change constantly. But I'm satisfied that the makeup of the funds at the time of the advice was broadly representative of the sort of thing the funds would usually be invested in. I've seen nothing to suggest they changed significantly for the period Mrs O has been invested. And so I'm satisfied my analysis of the sort of risks they presented to Mrs O as set out in my provisional decision are relevant when reaching my overall conclusions here.

Putting things right

My aim is that Mrs O should be put as closely as possible into the position she would probably now be in if she had been given suitable advice.

I take the view that Mrs O would have invested differently. It's not possible to say *precisely* what she would have done differently. But I'm satisfied that what I've set out below is fair and reasonable given Mrs O's circumstances and objectives when she invested.

What must HL do?

To compensate Mrs O fairly, HL must:

- Compare the performance of each of Mrs O's investments with that of the benchmark shown below.
- A separate calculation should be carried out for each investment. The losses should be combined and the total is the amount of compensation payable.
- HL should also add any interest set out below to the compensation payable.
- For Mrs O's SIPP, HL should pay into her pension plan to increase its value by the total amount of the compensation and any interest. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.
- If HL is unable to pay the total amount into Mrs O's pension plan, it should pay that amount direct to her. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the total amount should be reduced to *notionally* allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount – it isn't a payment of tax to HMRC, so Mrs O won't be able to reclaim any of the reduction after compensation is paid.
- The *notional* allowance should be calculated using Mrs O's actual or expected marginal rate of tax at her selected retirement age.
- For example, if Mrs O is likely to be a basic rate taxpayer at the selected retirement age, the reduction would equal the current basic rate of tax. However, if Mrs O would have been able to take a tax free lump sum, the reduction should be applied to 75% of the compensation.
- Pay to Mrs O £250 for the distress caused by the unsuitable investment advice.

Income tax may be payable on any interest paid. If HL deducts income tax from the interest it should tell Mrs O how much has been taken off. HL should give Mrs O a tax deduction certificate in respect of interest if Mrs O asks for one, so she can reclaim the tax on interest from HM Revenue & Customs if appropriate.

Investment name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
ISA & Fund and Share Account	Still exists and liquid	For half the investment: FTSE UK Private Investors Income Total	Date of investment	Date of my final decision	8% simple per year from final decision to settlement (if not settled within 28 days

		Return Index; for the other half: average rate from fixed rate bonds			of the business receiving the complainant's acceptance)
SIPP	Still exists and liquid	For half the investment: FTSE UK Private Investors Income Total Return Index; for the other half: average rate from fixed rate bonds	Date of investment	Date of my final decision	8% simple per year from final decision to settlement (if not settled within 28 days of the business receiving the complainant's acceptance)

For each investment:

Actual value

This means the actual amount paid or payable 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, HL 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. Those rates should be applied to the investment on an annually compounded basis.

Any additional sum paid into the investment should be added to the *fair value* calculation from the point in time when it was actually paid in.

Any withdrawal, income or other distributions paid out of the investment should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I'll accept if HL totals all those payments and deducts that figure at the end.

Why is this remedy suitable?

I've decided on this method of compensation because:

- Mrs O wanted Income with some growth with a small risk to her capital.
- The average rate for the fixed rate bonds would be a fair measure for someone who wanted to achieve a reasonable return without risk to her capital.
- The FTSE UK Private Investors Income ***Total Return*** index (prior to 1 March 2017,

the FTSE WMA Stock Market Income total return index) is made up of a range of indices with different asset classes, mainly UK equities and government bonds. It’s a fair measure for someone who was prepared to take some risk to get a higher return.

- I consider that Mrs O's risk profile was in between, in the sense that she was prepared to take a small level of risk to attain her investment objectives. So, the 50/50 combination would reasonably put Mrs O into that position. It does not mean that Mrs O would have invested 50% of her money in a fixed rate bond and 50% in some kind of index tracker investment. Rather, I consider this a reasonable compromise that broadly reflects the sort of return Mrs O could have obtained from investments suited to her objective and risk attitude.

My final decision

I uphold the complaint. My decision is that Hargreaves Lansdown Advisory Services Ltd should pay the amount calculated as set out above.

Hargreaves Lansdown Advisory Services Ltd should provide details of its calculation to Mrs O in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs O to accept or reject my decision before 12 November 2024.

Luke Gordon
Ombudsman