

## **The complaint**

Mr and Mrs C complain they weren't properly informed about the cost of investment advice provided by Lighthouse Advisory Services Limited. They don't feel they should be required to pay for advice they don't wish to be implemented.

## **What happened**

Mr C approached Lighthouse in 2023 having previously attended a work-related seminar on financial planning. He and Mrs C were subsequently visited at their home by an adviser in April 2023 who began the process of gathering information about their circumstances and objectives and putting together a recommendation for them. This looked at an existing stocks and shares ISA held by Mr C, valued at around £35,000, and also considered a further amount of £75,000, which was to come from a £130,000 pension commencement lump sum (PCLS) taken by Mr C.

The adviser's recommendation was provided to Mr and Mrs C some weeks later. They had been assessed as having moderate and conservative attitudes to risk respectively and the adviser recommended that Mr C's ISA be moved into the Quilter Investors Cirilium Moderate Blend Portfolio along with half of the £75,000. The other half was to be invested in Mrs C's name in the Quilter Investors Cirilium Conservative Blend Portfolio. In both cases this was by way of the full allowance in a new ISA each for the 2023/24 tax years, with the remainder in collective investment accounts to feed the new ISAs in subsequent years.

Shortly after receiving the recommendation Mr C called the adviser to explain that he and Mrs C wanted to proceed with the £75,000 investment but not his ISA transfer. Mr C reports that during this call there was some disagreement about several issues and particularly relating to costs, as Mr and Mrs C were unaware that the charges for the provision of advice would be applied regardless of whether the advice was actually implemented.

After the call the adviser emailed Mr and Mrs C with an alternative proposal looking at just the £75,000. But this wasn't accepted, and they went on to make a formal complaint to Lighthouse about being charged for the advice.

Lighthouse didn't uphold the complaint, in short as it felt it had fully informed Mr and Mrs C of its charges and followed the correct processes for documenting this.

Mr and Mrs C then referred the matter to this service. An investigator considered the complaint and reached broadly the same conclusion as Lighthouse in respect of the charges.

He noted a 'Authority to Proceed' form had been completed and signed by Mr and Mrs C on the date of advice meeting and this had given an approximation of the likely fee based on 2.5% of the sum invested – £3,822, in excess of the eventual fee of £2747.50. The investigator said he'd not seen evidence Lighthouse had unfairly portrayed what and how the fees would be charged – and specifically that these would be due whether they acted on the advice or not. He said it therefore followed that the basis of the fees and the reasons for them were set out sufficiently clearly. As such, he didn't consider Lighthouse had acted

unfairly in respect of the fee terms and disclosure.

However, the investigator then went on to consider the suitability of recommendations, using this service's inquisitorial remit. In doing so, he concluded that they hadn't been suitable for Mr and Mrs C. As such, he felt that, despite his view that the charges had been made clear to Mr and Mrs C, it wouldn't be fair to apply them in this instance.

The investigator felt the recommended portfolios involved a degree of risk that was inconsistent with Mr and Mrs C's circumstances and their likely understanding of the investments. He added, in brief:

- They had no other investments except Mr C's ISA (and Mrs C's small pension), so little experience of investment.
- The portfolios could both utilise unregulated investments and derivatives.
- They were also subject to currency fluctuations related to a heavy exposure to overseas assets.
- The advice involved the investment of pension monies following Mr C's retirement, so there was a risk of irreplaceable losses, particularly given the low level of disposable income noted in the fact find.
- A lack of diversity due to both portfolios being managed by Quilter.

The investigator proposed the advice fees be waived and £200 paid to Mr and Mrs C for the distress and inconvenience caused.

Mr and Mrs C accepted the investigator's view, but Lighthouse didn't. It considered the advice to have been suitable. It felt the investigator had questioned the risk rating and management of the portfolios, which it explained were managed to ensure they remained within their respective profiles. That being, for the conservative portfolio, an exposure to equities between 0-35% and with volatility of between 3 and 7%; for the moderate portfolio, an exposure to equities between 40-85% with volatility of between 9 and 13%. In respect of diversity, it also noted the high number of non-Quilter funds held within the portfolios.

Lighthouse also stressed that a significant proportion of Mr C's PCLS – £55,000 – would've remained uninvested in cash. And further, both Mr and Mrs S were in their 50s, with no debt, with Mrs C continuing to work (albeit part-time) and Mr C also potentially taking further future employment.

That said, although it didn't accept the investigator's view regarding the suitability of the investment, it did offer to accept a reduced amount - £1,875 - relating to the fee that would've been due in respect of Mr and Mrs C investing only the £75,000, as per the adviser's alternative proposal.

This was put to Mr and Mrs C, but they didn't accept it. The investigator also wasn't persuaded to change his view.

He looked in more detail at the process of assessing of Mr C's attitude to risk and questioned that it may have been incorrectly categorised as 'moderate', given the number of questions in the risk assessment questionnaire to which he'd replied with a 'no strong opinion' response creating some contradiction and uncertainty. The investigator also reiterated his concerns with investment of the pension funds and the overseas exposure to of both portfolios.

Lighthouse continued to disagree with the investigator's view. It noted that it was common to take a PCLS as Mr C had done and the sum wouldn't be monies that would be relied upon for retirement as they had been actively removed from the pension to be used for other

purposes – in this case it was noted that Mr and Mrs C were looking to make some home improvements.

It stressed that the determination of attitude to risk had been based upon discussions with Mr and Mrs C, not solely the answers to the question, and their agreement with the categorisations obtained. It also highlighted that the documentation drew attention to various risk factors associated with the portfolios.

As no agreement could be reached, the matter was referred to me to review.

I issued a provisional decision in which I explained why I thought the complaint shouldn't be upheld in the way the investigator had suggested. Rather, I felt the offer made by Lighthouse to accept a reduced payment of £1,875 was reasonable in the circumstances. I said, in part:

*“Turning first to the issue that motivated Mr and Mrs C to complain – the issue of how Lighthouse charged for its services and how this was communicated, I find I'm in agreement with both Lighthouse and the investigator. From what I've seen there was a provision of information that I think ought reasonably to have led Mr and Mrs C to be aware that the provision of a recommendation would be charged for, irrespective of whether it was ultimately accepted and implemented.*

*I accept that some of the written information was provided after the meeting of 14 April 2023. But I note in particular the 'Authority to Proceed' form that was signed and dated by Mr and Mrs C on the day of the meeting. This set out how charges would be applied and confirmed that 'you wish me to continue to work on a solution and understand that the minimum fees discussed may apply'.*

*I note Mr C has questioned the use of the word 'may'. But, in all the circumstances I don't think it was reasonable to conclude from the documentation, and from the discussions that likely surrounded it, that a fully worked recommendation from Lighthouse would effectively be provided free of charge and costs only incurred if the advice was implemented.*

*So, I agree that Lighthouse acted fairly in its provision of pricing information to Mr and Mrs C, following its usual procedure, and can't reasonably be held responsible for any misunderstanding about charging that may have occurred.*

*Turning now to the issue of suitability, this is where my view of the matter and the investigator's view diverge. In short, I don't think the recommendation made to Mr and Mrs C was unsuitable.*

*I note Lighthouse's comments regarding the investigator's questioning of the risk rating of the portfolios. But I don't think that's really what he was saying. In looking at whether an investment recommendation is suitable, regardless of how the investment might be 'packaged', we look at whether recommendation of it was consistent with a variety of factors – the consumer's circumstances, objectives, attitude to risk and capacity for loss.*

*Overall, I'm satisfied Lighthouse carried out a reasonable assessment of Mr and Mrs C's attitude to risk. I note what's been said about the questionnaire responses, but it was documented that, as Lighthouse has pointed out, there was discussion around both categorisations.*

*Mr C had some limited investment experience by way of his existing ISA that was invested at an 'adventurous' level of risk. I accept this wouldn't necessarily have given him a great deal of understanding as it was a fairly passive situation, with the investment started many years ago and simply left to run. But it shows he wasn't without experience of the stockmarket and*

*the volatility that would be encountered with this type of investment, as opposed to simply leaving money on deposit. And I'm conscious that he had actively sought the service of Lighthouse following the seminar he attended (I assume in relation to his retirement) so was looking to do something with his money other than leave it on deposit.*

*Mrs C clearly didn't have the same level of understanding or willingness to take risk. But this was reflected in the lower risk rating of 'conservative'. And this meant that the overall sum of £75,000 that formed part of Mrs C's PCLS was, by being split equally between Mr and Mrs C, invested into what was effectively a blend of the two risk categories - moderate and conservative - meaning an overall exposure for the £75,000 to equities between 20 - 60% and a volatility between 6 - 10%.*

*In all the circumstances this doesn't strike me as an unreasonable situation. Not given that, although Mr C was retiring, he was in his mid-50s and potentially carrying on working and Mrs C a similar age and was still working. They were unencumbered and had no dependents. I'm conscious of the level of the overseas exposure of the portfolios, and the potential for both to utilise higher risk assets. But they were portfolios that, even if these types of assets were used, had to remain managed within the overall risk rating. I think it likely that such assets, if and when utilised, were for the purpose of balancing the wider management of the portfolio. And I'm not particularly concerned from a diversity point of view. As Lighthouse has pointed out, the portfolios both invested in around 60 varied funds.*

*In respect of the money coming from the PCLS, I'm also not concerned. Mr C had actively decided to take the money from his pension as is very common course of action in his circumstances and was still to be provided with a reasonable income from the pension, of £19,000 per annum. And my point regarding his age and circumstances applies here too. there was still the potential for losses to be replaced.*

*I appreciate Mr and Mrs C will be disappointed that I've reached a different conclusion to the investigator. But overall, on balance, I'm satisfied that Lighthouse applied its charges correctly and fairly and did so for advice that was suitable for them. I think the offer to accept a reduced sum for the alternative proposal made by the adviser was reasonable and may be something that Mr and Mrs C now wish to consider, depending on what they've done since the provision of advice."*

Mr and Mrs C disagreed with my provisional decision. Mr C stressed that the behaviour of the adviser during the phone call had been threatening and intimidating, far more than a simple 'disagreement' as I'd characterised the situation. He questioned how, in light of that, he and Mrs C could've been expected to be confident in using Lighthouse's services.

He also suggested that the offer made by email following the phone call in respect of an alternative proposal for the £75,000 had been made as a response to a complaint being raised about the matter. By that time the email was issued he'd already contacted the Financial Conduct Authority (FCA) to seek advice and been directed to Lighthouse to make a complaint.

### **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 remain of the view set out in my provisional decision, for the reasons already given.

I've considered the additional comments made by Mr C carefully and in light of them have

tried to obtain a recording of the phone call with the adviser, but unfortunately one was not available. I appreciate that this was clearly not an easy call, and it wasn't my intention to underplay its significance in the way I described it. However, in fairness I must acknowledge that the adviser has disputed Mr C's account of the call and its content.

I note also what Mr C has said about the timing of the email offer of an alternative solution after the phone call – that it appears to have been prompted by him raising a complaint with Lighthouse. But Lighthouse's file note of the complaint is timed at 14:43, after the adviser's email was sent at 13:58. So, it looks like Mr C may have contacted the FCA before the offer was made, but not necessarily also Lighthouse.

That said, in any event, I don't feel this alters my overall view of the situation. Ultimately, I remain satisfied, on balance, that Lighthouse followed its normal procedure in communicating and applying its charges. And further, that the recommendation provided to Mr and Mrs C was suitable.

### **Putting things right**

Lighthouse should accept the reduced payment of £1,875 from Mr and Mrs C in settlement of the matter, as proposed in its response of October 2023 to the investigator's view. I'm satisfied this represents a fair and reasonable resolution.

### **My final decision**

For the reasons given, my final decision is that the complaint should be resolved by Lighthouse Advisory Services Limited as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 29 November 2024.

James Harris  
**Ombudsman**