DRN-5123238

Financial Ombudsman Service

The complaint

Mr W complains that Carrington Investment Consultants Limited trading as Carrington Wealth Management ("CW") has made errors and not managed his pension properly.

What happened

Mr W has a Self-Invested Personal Pension (SIPP). He opened the SIPP in 2017 with a firm I'll refer to as "T" after taking advice from CW. CW also advised him to switch two money purchase pensions into the SIPP in 2017. And in 2021 it advised him to transfer a further money purchase pension into the SIPP.

Mr W says that, towards the end of 2022, he became concerned about how little his pension had grown in the period since 2017. He said the return over the period between 2017 and 2023 had only been around 0.23%.

After speaking to a family member who had experience in this area, Mr W used an online checking tool to compare how his fund had performed in the period. The checking tool said it allowed him to compare the risk adjusted return he was getting on his investment against other professionally managed portfolios.

Mr W said the online checking tool indicated that the performance of his portfolio was below the average of the peer group. The best performers had returns of more than 26%, the medium performers had returns of between 9.9% and 26%. Mr W complained to CW. He thought it must have made errors or hadn't been managing his investment properly. He said CW hadn't complied with its Consumer Duty obligations (Principle 12 in the Financial Conduct Authority (FCA) Handbook).

CW investigated his complaint. By way of summary it said:

- It acknowledged that Mr W was disappointed with the returns on his pension. But lack of hoped for investment returns was not a reason to uphold his complaint;
- It had issued its recommendations to him, in 2017, after following its usual initial advice process. The recommendations were set out in writing and he'd been given the opportunity to discuss them. He'd been given investment warnings at that time and subsequently;
- It had established an appropriate level of investment risk (medium to high) following a detailed review of his circumstances, financial objectives, risk appetite, willingness to accept investment losses and investment timeframe. The level of investment risk had been revisited at subsequent review meetings and hadn't been changed;
- He was invested in the Carrington Growth Portfolio which followed a medium to high risk mandate in line with his risk profile. The investments were run on an advisory basis and each change to his portfolio had been communicated to him and approved by him;
- It was confident that the recommendation to invest in the Carrington Growth Portfolio was suitable and the investment portfolio had never contained any assets that were unsuitable for him;

- CW was confident its model portfolio service was run professionally and to a high standard in the best interests of its clients. It didn't agree that any decisions by its investment committee had been wrong, negligent or made in bad faith;
- He'd been kept fully informed about investment performance;
- Consumer Duty could not reasonably be interpreted to mean that CW had an obligation to guarantee that he would achieve a superior investment return. However, the Carrington Growth Portfolio had remained strongly correlated with its benchmark over the last five years;
- CW couldn't comment on the online checking tool Mr W had used. CW had never recognised or used any of the comparator funds and wasn't sure what factors had been included in the comparisons.

Mr W wasn't satisfied with this response. He referred his complaint to our service.

Our investigator looked into his complaint. By way of summary he said:
- Where a consumer wasn't happy with the performance of his pension, it wasn't always clear if this was because of unsuitable advice or investment performance.
- The advice here had been given over six years ago. However a consumer would need at least five years' worth of performance before he could reasonably become aware that he had cause for complaint. He thought we could consider the advice Mr W had been given in 2017.
- The advice in 2017 had been to recommend that Mr W switch his money purchase pensions into a SIPP. Our investigator considered the Financial Services Authority (FSA) thematic review findings which had been set out in its report "Quality of advice on pension switching" (December 2008). The FSA was the financial regulator at the time and has been succeeded by the Financial Conduct Authority (FCA). The FSA report had highlighted both good and poor practices when advice was being given about switching a pension.
- Extra costs can be a drag on performance and a like for like illustration would have shown that Mr W would be worse off as a result of the advice because of extra costs – such as ongoing advice fees.
- Mr W's objectives were to a certain extent contradictory in that he wanted extra growth for his pension but he also wanted ongoing advice. Ongoing advice fees and extra costs may mean extra growth might not happen.
- Mr W should have been advised to remain in his current plans and not switch. There were no other pressing reasons (including any family connections) to make Mr W transfer.
- The pension switch in 2021 was also unsuitable for the same reasons.
- Mr W should be compensated for any financial loss he'd experienced and should be awarded £250 for distress and inconvenience.

CW did not agree. It said our investigator had inappropriately reformulated the complaint. Mr W had never complained about the ongoing advice service or the charges that applied.

It did not accept that the ceding schemes were suitable for Mr W, or that his objectives were contradictory. It also didn't accept that the ongoing advice was merely a means for Mr W to achieve his investment objectives. It said the recommended Carrington Growth Portfolio with ongoing advice was within the range of recommendations that a competent adviser might fairly make. Mr W had also agreed to 27 recommended fund switches since the date of the initial advice and had obtained other incidental advice, for example tax advice. He was fully aware of the charges and the impact these could have on investment returns. He'd been sent regular statements and attended ongoing review meetings. So, he would've known the impact the costs and charges were having on his returns.

Our investigator considered what CW said but he didn't change his view.

He said our service had an inquisitorial remit. This meant we could look at the substance of what Mr W had complained about, taking account of everything that'd been provided to us. CW had itself commented on the suitability of the advice given in 2017 in its final response letter.

The investigator added that although CW could not necessarily be held accountable for unpredictable market movements, it should have been clear that all things being equal the transfer was going to result in a smaller pension. The ceding plans had other available funds that Mr W could've invested in. There was also no evidence that CW had discussed with Mr W that the additional costs of the new arrangements would result in a lower pension unless the Carrington Growth Portfolio outperformed the funds in the ceding pensions. Knowing about the charges was not enough to trigger awareness that the advice might have been unsuitable.

Our investigator also commented on what had been said about a family connection. He said it was CW which had provided advice here – and not a relative of Mr W.

In terms of the compensation our investigator said that CW should compare the performance of Mr W's investment with the notional value of the ceding schemes had he remained invested. If this wasn't possible the FTSE UK Private Investors Income Total Return Index should be used. If there was a loss that amount should be paid into Mr W's pension, allowing for the effect of any charges and available tax relief. If that wasn't possible then the amount should be paid to Mr W, reduced to notionally allow for any income tax that might otherwise have been payable – noting that one of the plans he'd transferred allowed for an enhanced tax free cash element.

CW responded to what our investigator said. It reiterated that in its opinion assumptions had been made which were not supported by the facts. Mr W had wanted an active advisory service with ongoing advice. There were particular reasons why he wanted this and he had been fully engaged in the ongoing process. His complaint was that the portfolio had not performed to his expectations. However there were many variables that impacted on performance and CW did not accept that it had done anything wrong in how it had managed the portfolio. The incidence of the charges did not make the advice unsuitable.

CW also asked for clarification about the proposed compensation method. It said the notional value of the ceding schemes was not available and a benchmark would have to be used. It requested a provisional decision to allow it to comment further about any proposed compensation – if this applied.

Mr W also responded to what our investigator said. He thought that instead of using the FTSE UK Private Investors Total Return Index, the FTSE Client Growth Index would be more appropriate.

Because neither party agreed with what our investigator said, the complaint was passed to me to decide. I issued a provisional decision in which I said:

> ***What I've provisionally 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.*
>
> *At the outset I'd just comment that when considering what is fair and reasonable in the circumstances of this complaint I'm required by our Rules to take into account*

relevant law and regulations, regulators' rules, guidance and standards, codes of practice and where appropriate what I consider to have been good industry practice at the relevant time.

It is also the case that when considering a complaint our service looks at the subject matter of the complaint and not merely the precise way it is written, communicated or presented. In R (Williams) v Financial Ombudsman Service [2008] EWHC 2142 Irwin J made the following remarks:

> *"The ombudsman is dealing with complaints, not causes of action. His area is inquisitorial not adversarial. There is a wide latitude within which the ombudsman can operate."*

So, when considering Mr W's complaint I've thought about the subject matter of his complaint. He's disappointed with how his pension has performed in the period since 2017. And, when making his complaint he's introduced comparisons with how other investments have performed during this period.

Having considered everything, I'm persuaded on balance that in order to investigate Mr W's complaint it is appropriate for me to think about whether the advice he was given in 2017 and in 2021, to transfer existing money purchase pensions into a SIPP and invest in the Carrington Growth Portfolio was suitable. I say that for mainly the following reasons:

- *in 2017, one of Mr W's objectives was recorded as "You are focussed on capital growth so that the pension could grow to offer an attractive level of income at retirement." Mr W's complaint is that he's disappointed his pension hasn't grown in the way he thinks it should have grown in the period since 2017. So, I think it's important to look at whether the advice he was given to transfer his pensions and invest in the Carrington Growth Portfolio was suitable;*
- *the charges that've been applied because of the arrangement that was recommended by CW in 2017, are a relevant consideration since the charges were deducted from the pension fund and have therefore reduced the overall returns. Further, they are an integral part of the advice given to Mr W to transfer into the SIPP;*
- *after Mr W complained to CW, it sent him a final response letter. In that letter it commented extensively on the advice Mr W had been given in 2017 and stated it believed the suitability report presented a balanced view of the advantages and disadvantages of its recommendations. It said it was confident the recommendation to invest in the Carrington Growth Portfolio was suitable. So, CW was itself clearly of the view that in order to respond to Mr W's complaint, it was necessary to look at the suitability of the recommendations he'd been given in 2017.*

So, I've decided to firstly consider whether the advice Mr W was given to transfer his pensions to a SIPP and invest in the Carrington Growth Portfolio was suitable advice. CW provided its recommendation to Mr W in its report dated 17 October 2017. I can see that on 12 October 2023 Mr W wrote to CW to express his concerns about how his pension had performed. He said

> *"…Thanks for sending the report over. Looking at it and as you've eluded (sic) to below, it appears to have given me virtually a zero return in almost 6 years. On top of that, I have been charged fees, which seems unreasonable…*

I'll be honest, I'm really unhappy that I don't feel like I've been fully advised by Carrington that it was underperforming to this level…"

I think that was a written expression of dissatisfaction which alleged that Mr W had suffered financial loss. It was made within six years of the date when the advice was given. CW acknowledged receipt of this email on 12 October 2023. So, I'm satisfied there is no time bar which prevents me from considering all of the subject matter relating to Mr W's complaint to this service.

<u>Was the 2017 advice suitable?</u>
The Financial Conduct Authority Handbook (FCA Handbook) in its Conduct of Business Sourcebook (COBS) sets out the rules that apply to firms when providing advice.

Firms are required to take reasonable steps to ensure that any personal recommendation provided to a consumer is suitable for that consumer. In order to do that the rules require firms to obtain the necessary information about the consumer's knowledge and experience (including attitude to risk), financial situation and investment objectives. Firms are then required to consider the information and provide a written recommendation. The written recommendation should meet the consumer's investment objectives, be such that the consumer is able financially to bear any related investment risks consistent with his investment objectives and be such that the consumer has the necessary experience and knowledge to understand the risks involved in the transaction.

The fact that the pension did not grow as much as had been hoped for does not mean, of itself, that the advice Mr W was given was unsuitable.

CW's advice was set out in its report dated 17 October 2017.

In advance of preparing this report CW completed a financial planning questionnaire which included questions about Mr W's personal circumstances, employment and financial matters. Mr W also completed a financial profiling questionnaire, designed by a third party, which included questions about his "risk tolerance" and "demographics" (such as his education and net worth). It appears that these questionnaires were completed in or around July 2017.

Following completion of the financial profiling report a personal risk profile document was produced for Mr W. This provided descriptions of what the findings were from the questionnaire and included descriptions of what it said Mr W's attitude to risk was. So, for example under the heading Investment it said:

> *"It is somewhat more important that the value of their investments retains its purchasing power than that it does not fall…. For most a fall of 20% in the total value of their investments would make them feel uncomfortable but for others it would take a 33% fall… Over ten years, on average, they would expect an investment portfolio to earn, on average, about two to two and a half times the rate from bank deposits, more likely two times…"*

CW had also been given permission to obtain further details about two existing pension arrangements Mr W held.

In its report CW said it had met with Mr W for what it described as a "fact finding" meeting. No notes or other information has been provided in relation to that meeting. However in the recommendation there are references to all of the information that *had been obtained, including what Mr W's objectives were. So, I'm satisfied on balance CW had met with Mr W and discussed the information it had obtained before it prepared its recommendation.*

Having considered the information CW collated before producing its recommendation, I'm satisfied, on balance, it had taken reasonable steps to obtain the necessary information about Mr W's knowledge and experience (including attitude to risk), financial situation and investment objectives.

I've then thought about the written recommendation CW provided to Mr W. And when doing so I've taken into account the FSA's "Quality of Advice on pension switching" document published in December 2008.

At the start of its report CW pointed out that it was very important Mr W should read the report carefully and check that it matched his understanding of the meeting and discussions that had taken place. It set out Mr W's objectives:

- *Investment flexibility – to allow his pensions to be managed under one cohesive investment strategy and to give him access to a broader range of investments;*
- *Amalgamate – to amalgamate his pensions for ease of administration and to assist in a cohesive investment strategy;*
- *Growth – he was focused on capital growth so that his pension could grow to offer an attractive level of income in retirement; and*
- *Financial planning – he was seeking ongoing financial planning to manage his investments and also incorporate other planning issues such as providing tax efficient income in retirement.*

There's no evidence Mr W disagreed with any of these objectives or that he disagreed with any of the other information in the report including what it said about his capacity for loss and his attitude to risk.

CW then set out its recommendations and the reasons for its recommendations. It recommended he transfer both of the existing pensions into a new SIPP and adopt an investment strategy which matched his attitude to risk. It recommended CW's Carrington Growth Portfolio. It also recommended its ongoing service, which it said would mean CW could advise Mr W on investment and planning as his lifestyle changed over time.

In the FSA document referred to above the FSA said that where a customer was switched to a pension that is more expensive than their existing one the business has to show that there was good reason for such a recommendation. When deciding whether there was good reason it was important to look at the consumer's circumstances at the time to see if their wants or needs were reasonable or warranted. So, I've thought about each of these matters.

Personal circumstances
When Mr W approached CW in 2017, he was unemployed and was at least 15 years away from being able to access his pension. He was actively seeking new employment.

He had two existing pension arrangements – a group stakeholder pension (scheme A) and a defined contribution pension (scheme B). He wasn't able to make any further contributions into the latter scheme. Scheme A was described as a "cheap *option" because the annual management charge was 0.45%. However CW explained there was limited fund choice – only 20 funds were available.*

Scheme B offered an enhanced tax free cash element of 25.31% (instead of the usual 25%). There were 12 funds to choose from. The total annual charges were 0.74%

Performance comparison
In terms of performance, over the previous three years, the fund performance for Scheme A (which had been invested in a single, 100% equities fund) was 36.47%.

Scheme B had been invested across five funds and fund performance was between 25% and 71%. CW said that overall the way this pension was invested meant there was a high risk exposure to equities and commercial property – which was in line with its findings about his attitude to risk. So, although there was limited fund choice, CW said the investments were suitable. However, Mr W couldn't make any further investments into this scheme.

CW provided tables showing the current fund selection within the Carrington Growth Portfolio compared with Mr W's funds in Scheme A and Scheme B. It provided the past three years fund performance for the retail and institutional classes against their respective sectors. CW said that all of the institutional fund classes had outperformed their retail versions, some by a considerable margin.

Comparison of charges
CW's report included a table which compared the charges that applied under the existing arrangements against the charges that would apply under the new arrangement.

CW said the fees would be higher than those incurred under the existing arrangements – mainly because of its annual management fee. However, it explained that Mr W would get a wide range of services for this fee including ongoing asset management and recommendations about making switches in his fund when appropriate. He'd also be able to access more funds if he switched to the SIPP and this would help to achieve his other objectives which were to have one coherent investment strategy and ongoing financial planning.

Shortly after producing its recommendation, CW sent Mr W a Key Facts Illustration prepared by the SIPP provider together with the various application forms for him to complete. Included in the Key Facts Illustration was a section which detailed the charges that would apply. It illustrated what the fund values might be after taking into account the rate of inflation and the charges that would apply – assuming the investments grew at a rate of around 4.8%. This showed that over the full term of the plan the total charges would have the effect of reducing growth from 2.3% to 0.2% - a reduction of 2.1%.

Reasons for recommendation
CW explained why, despite the fact that the proposed new arrangements would be more expensive (total annual charges 2.05%) it thought Mr W should transfer both pension funds into a SIPP and invest in the Carrington Growth Portfolio. The reasons it gave were:

- *Greater fund availability (there was a choice of over 2,500 funds);*
- *Administrative ease because both pensions would be consolidated; and*

- *Mr W could avail of CW's ongoing services including annual reviews about the ongoing suitability of his investments, ongoing asset management and recommend switches where appropriate (active management), market commentaries and telephone/email support when needed. CW couldn't offer these services if he didn't switch his investments into the SIPP;*
- *Mr W's personal circumstances and his attitude to risk meant he could afford to take a longer term view and increase risk for the chance of a better reward;*
- *CW's investment process was based on looking for value in markets, finding appropriate investments and having the ability to move quickly. The proposed arrangements provided availability of funds and investments and superior administrative back up which convinced CW that it could provide excellent performance over the medium to long term.*

In its written recommendation CW did discuss the relationship between fund performance and charges. It stated that although charges were important, it was not the key motivation behind a recommendation. CW said it placed emphasis on investment selection and performance and also considered that a diversified asset allocation approach offered improved performance over the longer term. In the case of Mr W it would be around 15 years before he'd be able to access his pension.

Having reviewed everything, I'm satisfied, on balance, CW had explained why it believed there was good reason for its recommendation notwithstanding the higher charges. Mr W wanted the possibility of higher returns which the proposed new arrangements offered. He wanted his pension to work harder for him and he was prepared to take a moderate to high risk to achieve that. I'm also persuaded, on balance, he was attracted by what CW told him about its approach to active management of his investments with ongoing reviews – something he couldn't avail of if he didn't transfer into the SIPP.

I'm also persuaded, on balance, on the basis of the information provided that Mr W had the necessary knowledge and experience to understand the risks involved and that CW had explained the risks to him.

Having considered all of the information I'm provisionally satisfied, on balance, that the advice in 2017 was suitable.

<u>Was the 2021 advice suitable?</u>
In January 2021, CW advised Mr W to transfer a third (smaller) pension into his SIPP. [Note:* The report has been erroneously dated January 2020].*

By this stage Mr W had been receiving ongoing advice and he'd been sent regular statements and valuations of his portfolio. He'd also experienced the active investment management service CW provided. CW has indicated that in the period up to 13 November 2020 there'd been 15 fund switches. On each occasion it had sent Mr W its recommendation concerning the proposed switch and he'd confirmed his agreement to the switch. So, I think that by the date when the third pension fund was being transferred into the SIPP Mr W would've known the nature of the service he'd signed up for.

By this stage, Mr W would've been able to review how his pension had performed over the period since 2017. I've noted he'd been making contributions to the SIPP during this period. It was against this background that he sought advice about transferring another pension into his SIPP.

CW followed the same process as it had done in 2017 regarding fact finding and producing its recommendation. Mr W's objectives were broadly the same as they'd been in 2017. CW noted that Mr W was still keen to pursue its active investment management service amongst its other services. It set out details of the pension he wished to transfer. It noted that the charges, if he accepted its recommendation to transfer this third pension into the SIPP would be higher. But once again it noted that if he wanted CW to manage this pension that would only be possible if it was transferred into the SIPP.

CW also noted that Mr W's attitude to risk hadn't changed since 2017 and that as this was a medium to long term investment he would not be affected by short term market volatility. It also reminded him that part of the service it offered was ongoing review of his investment strategy.

CW recommended that he continue to invest in the Carrington Growth portfolio which aimed to obtain long term gains by taking a higher than average level of risk. It also recommended that he should invest 80% of his funds in equities. A graph was included with showed the performance of the fund over the previous five years. The report also included the usual risk warnings.

Having reviewed all of the information, and for mainly the same reasons as those set out in respect of the 2017 advice, I'm provisionally satisfied on balance the advice CW provided in 2021 was suitable.

<u>The performance of the fund since 2017</u>
Having provisionally decided that the advice Mr W was given was suitable, I'll now consider what Mr W's said about how his pension performed.

Mr W says that the overall return on his pension over the period to 2023 (six years) has been 0.23%.

I can understand why Mr W is extremely disappointed with the return. It fell below what he was expecting. He also says it's considerably less than the return he would've received had the pension been invested in a different fund.

I've thought about what Mr W has said here. It is the case, as he was warned in 2017 and 2021, that the value of his pension could fall as well as rise and there was no guarantee he'd get a higher return than if he'd left his pensions in their previous arrangements. Investments by their nature involve risk. Mr W had been prepared to accept moderate to high risk in the hope that he might get greater returns – but there was never any guarantee he'd be able to achieve that.

I've also considered what CW and Mr W have said about how the fund was being managed. But, having done so, I've not been provided with any evidence that causes me to believe the fund was being mismanaged or that CW had departed from the agreed investment strategy based on Mr W's attitude to risk.

I've also looked at the service Mr W received during the period. The assets he was invested in were regularly reviewed by CW and fund switches were recommended to him. CW sent details about these to him together with explanatory information. He had to engage in this process otherwise the fund switches wouldn't have proceeded. On 27 occasions he agreed to the proposed fund switches.

I can also see that CW offered to meet with Mr W at least annually to review his circumstances and attitude to risk. I've been provided with reports that were sent to

Mr W following meetings in 2019, 2021, 2023. He declined a meeting in 2022. He was sent regular statements and valuations during this period. CW says it also corresponded with Mr W in relation to requests for advice outside of the annual review process – including queries about tax.

So, I'm not persuaded that CW failed to provide Mr W with the services it had agreed to. At each of the review meetings CW discussed whether there were any changes to his circumstances. It also confirmed there'd been no changes to his attitude to risk and that the investment strategy it had recommended hadn't changed.

Having considered everything, I've provisionally decided that although Mr W thinks he could have got a better return elsewhere, that doesn't mean CW did anything wrong here or that it should be required to compensate him for any loss he says he's sustained because he remained invested in the Carrington Growth Portfolio.

Consumer Duty
In his complaint to our service Mr W also cited the Consumer Duty.

The Consumer Duty is a new standard for firms which was introduced by the FCA. It sets a higher standard for firms in terms of their treatment of customers, and it applies to events from 31 July 2023. So it wouldn't apply as regards anything that happened before that date.

The substance of what Mr W has complained about happened before 31 July 2023.

I would however like to assure Mr W that CW has <u>always</u> been subject to the FCA's Principles and rules which were essentially to act in his interests and treat him fairly. In reaching my provisional decision set out above I have taken these Principles and rules into account.

My provisional decision

For the reasons given above my provisional decision is that I do not intend to uphold this complaint about Carrington Investment Consultants Limited trading as Carrington Wealth Management.

Mr W responded to my provisional decision. By way of summary he said:

- In six years his portfolio had not achieved 0.01% per annum and underperformed everything including cash deposits, the stated benchmark and the whole of a peer group of managers providing a similar risk profile. Despite this, fees over the period were estimated at between £10-12,000 against a return of less than £500;
- A family member with extensive experience in this area had provided a statement which reiterated that something must have been wrong with how the portfolio was constructed and/or the operation of risk controls by CW, for the Carrington Growth portfolio to have performed so poorly when compared to other similar funds;
- He disagreed that he'd been provided with regular performance reviews or sent regular statements and valuations. In particular he'd not been provided with information which compared how his portfolio was performing against its benchmark;
- He queried why his pension had not been invested in an alternative Sustainable Growth (SG) fund which he said CW offered and which had achieved much higher returns. He said this had not been offered to him or discussed with him.

CW was asked to provide further comments about what Mr W had said. It said investment performance had been routinely discussed with all clients at their annual review meetings. It had previously provided information about these meetings to our service. CW said that additional information about investment performance was sent through its quarterly investment commentary emails.

CW also said regular statements and valuations had been provided to Mr W – by T and by it.

CW said the SG portfolio which Mr W had referred to, had performed nearly identically to the Growth Portfolio in which he was invested. In any case, it said it had sent Mr W details about the SG portfolio in June 2020 and May 2021. He'd been invited to contact it if he wanted to discuss this further but he hadn't contacted it.

So, I now need to make my decision.

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 each of the additional submissions made by both parties in response to my provisional decision. Having done so, I've not changed my view or the reasons for my view about how this complaint should be resolved. I'll explain why.

At the outset, I'd just reiterate that although, as Mr W has pointed out his pension did not grow as much as he had hoped during the period after 2017, that does not mean, of itself, that CW did anything wrong here or that it has otherwise acted unfairly or unreasonably.

Mr W was aware that the value of his fund could fall as well as rise and CW had warned him that it was possible his investment could lose money over the short term and he must be prepared to accept that risk.

In his response to my provisional decision, Mr W says he wasn't kept informed about how his pension was performing against its benchmark. If he had been given this information he says he would've been able to see that the investment returns didn't even match cash deposit returns and he could have acted sooner to reduce the losses which he says he suffered.

I've looked again at the information provided to Mr W throughout the period. As I said in my provisional decision he attended annual reviews in 2019, 2021 and 2023. He declined an annual review meeting in 2022. Mr W was also sent statements by T.

I can see that at the 2019 annual review a portfolio report was produced which included a graph setting out how the Carrington Growth portfolio had performed against the stated benchmark. There's no evidence that similar graphs (comparing the performance of the Carrington Growth portfolio against its benchmark) were presented to Mr W after that date. However, at each annual review the meeting agendas show that past performance was an item for discussion. For example, I can see that CW sent him an up to date valuation prior to the meeting in March 2021 which confirmed the investment growth for his pension in both monetary and percentage terms. At each meeting Mr W was informed about how his pension was performing in terms of gain/loss since the date when he first invested in the Carrington Growth portfolio. He would also have had the opportunity to discuss these matters with the adviser.

So, although specific information about how his pension was performing in relation to the benchmark may not have been provided each time, it is the case that, in percentage terms, he was presented with information about how his pension was performing and the actual gains/losses (stated as an amount of money) he was experiencing. I think that was fair and reasonable. When reaching that view, I've also taken into account the statements and valuations Mr W was being provided with throughout the period.

Mr W says he wasn't sent regular statements or valuations. However, in addition to the information it was sending him prior to each annual review (referred to above), CW has provided samples of annual reports and quarterly statements that were sent to him by T.

The annual reports included a portfolio valuation and a costs and charges summary. The reports also set out what the impact of the costs and charges had been on the overall value of Mr W's portfolio. A breakdown of the investment funds held within each sub account was also included.

The quarterly statements included a portfolio valuation and confirmed the original cost, the number of units/shares held, the unit price and the sub value for each investment fund.

So, I'm satisfied, on balance, Mr W was given enough information to make him aware of how his pension was performing. In particular the annual report provided, in percentage terms, the growth rate before and after charges had been applied. The quarterly statements, and the annual reports, provided up to date valuation figures. So, although this information did not compare performance against the benchmark, Mr W would've known, in both monetary and percentage terms, how his pension was performing. And, he had the opportunity at each review meeting to discuss this further with CW.

When considering the responses to my provisional decision, I've also thought about the representations made by a member of Mr W's family. Concerns have been expressed about how the portfolio was constructed and the operation of risk controls by CW.

I think it's important to point out that our service is not the regulator. Our role is to provide an informal dispute resolution service and we decide each case on a fair and reasonable basis. With that in mind I've considered the comments which have been submitted in response to my provisional decision.

I've commented above on the regular reports and statements which Mr W was provided with. In particular that information included details about how the portfolio was constructed. For example, the annual report from T included a listing of each of the assets included in the portfolio and set out the original cost of each unit against its current value. CW also provided a portfolio report prior to each annual review. This also included an analysis of the fund/equity holdings and the values of each of the component parts. So, I'm satisfied on balance that CW provided clear information about how the portfolio was constructed. And I've not been provided with any evidence that causes me to believe CW had departed from the agreed investment strategy based on Mr W's attitude to risk.

It is also the case, as I said in my provisional decision, that the assets he was invested in were regularly reviewed by CW and fund switches were recommended to him. CW sent details about these to him together with explanatory information. On 27 occasions he agreed to the proposed fund switches.

Having considered everything again, I'm satisfied Mr W was provided with regular statements and information about how his pension was performing. And whilst Mr W thinks he could have got a better return elsewhere, I'm not persuaded, on balance that that was because CW did anything wrong here. So, I don't think it should be required to compensate him for any loss he says he sustained because he remained invested in the Carrington

Growth Portfolio. As I said above, he had been warned that the value of his fund could fall as well as rise and there was no guarantee that it would achieve the returns he'd hoped for.

In his response to my provisional decision, Mr W also introduced an additional, new, point. He says CW should've invited (or recommended) him to switch his pension into its SG portfolio. He says this fund was making much better returns than the Carrington Growth Fund.

I asked CW to comment on what he'd said. It explained it had sent two emails to Mr W about the SG fund and invited him to get in touch if he was interested in investing. The emails were dated 23 June 2020 and 27 May 2021. Mr W disputes that he received these. However CW has provided evidence to show that both emails were opened by the recipient and that the email address details were correct.

CW says the SG portfolio was set up, in June 2019, with an objective to "participate in the changing corporate attitude towards environmental, social and governance (ESG) issues, to help create a more sustainable planet.." It says Mr W did not express any interest in ESG investment objectives.

I've considered what both parties have said here. When doing so, I've thought about whether the advice to invest in the Carrington Growth Portfolio was suitable or whether CW should have recommended that Mr W invest in, or switch to, the SG portfolio. The SG portfolio was only introduced in June 2019 – which was after Mr W had been given the initial advice.

In my provisional decision I also considered the advice which Mr W was given in 2021. I concluded that CW had taken reasonable steps to ensure that the advice was suitable at that time. I remain of that view. CW updated the information it held about Mr W's knowledge and experience, his financial situation and investment objectives. He didn't express an interest in ESG investment objectives. His objectives were set out in the report CW provided to him and he raised no objections. In its written recommendation CW explained why he should remain invested in the Carrington Growth fund - taking into account all of the information it had collected about him, including his investment objectives, knowledge and experience, attitude to risk, capacity for loss and time horizon. I haven't received any new or additional information that causes me to change my view that the advice was suitable.

Mr W disputes having received any information about the SG fund. However having considered everything, I'm persuaded on balance CW did enough to bring this fund to his attention when it sent him two emails about the matter in the period after the fund was launched. I've also noted that at the annual review meeting in March 2021, CW did include in the discussion points for the meeting a review of certain key areas including Mr W's risk appetite, his current portfolio risk, his goals and objectives. There's nothing to indicate that Mr W expressed any concerns about the Carrington Growth portfolio or that he was interested in selecting a fund which had ESG objectives. So, I'm not persuaded, CW did anything wrong when it didn't advise Mr W to invest in, or to switch his pension to, the SG fund.

I can understand Mr W's frustration and disappointment at how his pension fund performed during the period. However, having looked at everything again, including the further submissions provided by both parties, I haven't received any new or additional information that causes me to change my view, or the reasons for my view, about how this complaint should be resolved. I do not require CW to have to do anything further.

My final decision

For the reasons set out above, I do not uphold this complaint about Carrington Investment

Consultants Limited trading as Carrington Wealth Management.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr W to accept or reject my decision before 31 December 2024.

Irene Martin
Ombudsman