

The complaint

Mr K complains Janus Henderson Fund Management UK Limited & Co Ltd ('JH') closed one of its investment funds without adequate explanation or rationale.

What happened

Mr K held shares in an investment fund managed by JH.

On 11 December 2023 JH wrote to Mr K saying it had decided to close the fund. It described its reasons as follows:

'Janus Henderson continuously monitors and performs assessments of the Fund to ensure it continues to meet client expectations and needs. The Fund's assets under management as at 31st October 2023 are £ 17.8m. After careful consideration of the size of the Fund, its performance, and lack of prospects for future growth, we have concluded that the Fund is unlikely to grow or attract new investors in the future. Accordingly, we have determined that it is in the best interests of all Shareholders in the Fund to proceed with an orderly closure of the Fund.'

JH said its customers could choose to switch into another fund and it wouldn't apply a redemption charge, switching fee or initial charge. Or they could redeem their shares and JH wouldn't apply a redemption charge. It also provided information about ISA status and tax, and contact details Mr K could use if he wanted more information.

Mr K wrote to JH expressing concern and asking questions about the decision to close the fund.

JH treated Mr K's communication as a complaint and issued a response. It said it didn't think it had done anything wrong. In summary it said the following:

- The fund had aimed to provide income with the potential for capital growth over the long term. It invested at least 80% of its assets in UK government bonds, typically with maturities of 15 years or more.
- The fund had dropped in price significantly over the past three years. Its performance matched the performance of its target index but was worse than the sector JH used as an additional performance comparator.
- As authorised fund manager JH had to ensure the fund could grow and meet its stated objectives over its recommended holding period, and that included navigating any market downturns. As of 31 October 2023 the fund's assets under management were less than £18m. JH's assessment was that the fund was unlikely to grow as expected. So it wouldn't be an attractive proposition to new investors.
- In recent years JH had flagged in its annual value assessment that the fund continued declining despite reductions in management fees and changes to the management team. So JH had decided closing the fund was in the best interests of

consumers.

- The Consumer Duty increased scrutiny on firms to ensure good customer outcomes were central. This requirement was embedded in JH's decision making, processes and controls.
- JH's December 2023 investor communication had acknowledged liquidation might have tax implications for consumers. It was for Mr K to manage any tax implications he experienced.
- Investors had to bear the costs of the closure (including legal and mailing costs). Market related costs would be borne by the fund. All share classes would bear equal costs.
- In its December 2023 investor communication JH had included as much detail as it could while ensuring communication was clear, without confusing terminology.
- JH acknowledged the fund's closure might disrupt some investors' long-term strategies, but there were other products available in the same category.
- JH didn't force investors to sell. It offered the option of investing in a different fund without paying any charges associated with redeeming or switching investments.
- JH had gone through the necessary regulatory process prior to closure. It had mechanisms in place to manage potential conflicts of interest and ensure all investors were treated fairly. And it had a regulatory requirement to consider alternatives before closing a fund. As part of fulfilling that obligation it had considered a merger and assessed the option as unsuitable.

Mr K wasn't satisfied. He referred his complaint to this service. He made a detailed submission. I've summarised the key points as follows:

- JH provided no reasonable explanation or justification in support of its reasons for closing the fund. And it didn't explain why it rejected the option of a merger.
- JH didn't consult or allow a vote. And it left investors with no option but to sell which would've had a range of detrimental impacts on them.
- The decision wasn't in the best interests of investors.
- The fund offered investment in long-duration UK Government bonds and other reliable UK bonds. So long-term investors could never lose, unless the business decided to liquidate the fund during a period of long-term rising interest rates which was historically rare.
- JH ignored positive market indicators which suggested a rebound in the asset class and a turning point with potential significant appreciation in the medium to long term.
- Mr K had presented clear arguments and substantiated them with factual data and market analysis, including evidence from Morningstar and recent market trends that contradicted the claims of JH.
- JH failed to provide a detailed and transparent explanation. So consumers couldn't understand the decision's rationale or how it could be fair and in line with the Consumer Duty.

- By proposing reasonable alternatives Mr K had shown a constructive approach to resolving his complaint. But JH merely reiterated its public announcement without engaging with the issues and options Mr K raised.
- JH compared the performance of the fund to the wrong benchmark, to exaggerate the falls in the fund without explaining how its management of the fund failed to protect investor interests during the market movements that contributed to the falls.
- In citing little prospect of future growth JH contradicted its published value assessment and didn't evidence or explain its statements.
- JH made specific statements of fund size that contradicted publicly available numbers by the most reputable provider of fund data, Morningstar. And it didn't justify closing a fund which in several decades had fallen for a year or two only.

In summary Mr K said the impact of JH's actions was a forced taxable event for unit holders who held the fund in taxable accounts, and additional transaction costs such as trading fees and potential dilution adjustments. He also said customers missed out on potential future gains from the fund and long-term strategies were disrupted. And he and other customers suffered frustration, uncertainty, stress, inconvenience and loss of trust and confidence.

Mr K said he wanted compensation for financial losses and £400 for distress and inconvenience caused by JH's poor response to him and the time and trouble he took to pursue the matter. He also wanted JH to improve its processes in relation to decision making, communication, customer support and complaint-handling.

One of our Investigators looked into Mr K's complaint. She didn't think JH had done anything wrong. In summary she said JH had closed the fund in line with the procedure that had been set out in the fund's prospectus. And as part of the required regulatory process the FCA had approved the closure of the fund. She said it wasn't the role of this service to interfere in the commercial decisions of a business. And JH was under no obligation to offer a merger.

Mr K didn't agree with the investigator's view. He provided a detailed response. In summary he said JH had failed to comply with various regulatory requirements, particularly by failing to provide enough information for shareholders and failing to consider alternative options, particularly the option of a merger. And he said the investigator's view couldn't be fair and impartial if she didn't provide evidence to show why the closure was in shareholders' best interests.

Because no agreement could be reached, the complaint was passed to me to review afresh and make a 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.

Having done so, I'm not upholding the complaint. From my review of Mr K's submissions I can appreciate his depth of feeling about this matter. But I can't agree JH has acted unfairly or unreasonably here. I'll explain why.

The purpose of this decision is to set out my findings on what's fair and reasonable, and explain my reasons for reaching those findings, not to offer a point-by-point response to every submission made by the parties to the complaint. And so, while I've considered all the

submissions by both parties, I've focussed here on the points I believe to be key to my decision on what's fair and reasonable in the circumstances.

It's also important for me to point out that we don't act in the capacity of a regulator. That means our decisions don't ordinarily interfere in how a business conducts its operations or exercises what may be commercial judgment on the provision of a particular service. That remit falls to the FCA. So it's not my role to instruct JH to make an alternative business decision in respect of closing the fund.

I've taken into account that when closing the fund JH had to comply with specific rules set out in the Collective Investment Schemes Sourcebook ('COLL') of the FCA Handbook. COLL set out that the rules have the statutory objective of protecting customers by providing a cost effective and fair means of winding up authorised funds and terminating sub-funds of specified investment schemes. COLL said a fund could only be terminated with the approval of the FCA. And JH was required to assess the value of the fund according to criteria set by the FCA. Mr K is entitled to disagree with JH's assessment and its decision, but the fact remains JH had discretion to close the fund if it decided it wasn't providing value – it didn't require the agreement of shareholders.

I understand Mr K feels this service should carry out an independent value assessment in order to determine whether JH's decision was in the interests of customers. But this service is intended to provide a quick and informal dispute resolution service which functions as an alternative to the courts. In that context I've looked at the explanations JH gave Mr K for the closure of the fund. It provided reasons upfront in its first investor communication, and it gave further detail in its response to Mr K. Although JH didn't engage in detail with all of Mr K's arguments I don't accept it ought reasonably to have done so. Its explanations were substantive and logical enough that I'm satisfied Mr K could see it had carried out an assessment from which it drew rational conclusions even if Mr K disagreed with those conclusions. It's not the role of this service to conduct an alternative value assessment and to seek to substitute that for JH's assessment. As fund manager JH had discretion to form its own view of the fund's value. And from the explanations it gave I don't see any basis to say its assessment was so flawed that its view was unreasonable.

Mr K raised the point that JH had a responsibility under the Consumer Duty (and the related Principle 12) to ensure good outcomes for consumers. While the Duty says, '*a firm must act to deliver good outcomes for retail customers*', this doesn't mean customers will always get good outcomes or will always be protected from poor outcomes. Rather it means businesses should be proactive in identifying and addressing where good outcomes aren't being achieved, putting customer interests at the heart of their activities, and enabling and empowering consumers to take responsibility for their actions and decisions. I've taken this into account when deciding whether Mr K has been treated fairly overall by JH.

JH's rationale for closing the fund was that the fund had stopped delivering value for consumers and was unlikely to perform as expected or be attractive to consumers in future. JH's shareholder communication mentioned – and so JH is likely to have taken into account – the effects of the closure on customers which Mr K mentioned, such as the tax consequences and the cost of the closure. Loss of the opportunity to invest in the fund is a natural consequence of any fund closure as is disruption to investment strategies. I can't say they should prevent fund closure if the fund is assessed as not providing sufficient value to consumers and/or being unlikely to do so in future. Overall I'm not persuaded that in doing what it did JH failed to sufficiently prioritise its customers' needs and treat them fairly. And as I've said I don't find JH's rationale for the fund closure to be unreasonable.

I've also considered how JH communicated with Mr K, so that his information needs were met, while taking account of its regulatory obligations. Having kept these things in mind I'm

satisfied the information JH gave Mr K was understandable and sufficient and, overall, reasonable. I'm also satisfied JH took into account its customers' information needs when it attempted to present its decision in a way that was informative but not overly complex, and then gave Mr K more detail when he questioned JH's decision.

It wouldn't be practical for JH to engage in very detailed discussions with individual investors about its value assessment and its view of potential alternative options for its funds. As it was JH explained its decision to Mr K with reference to specific performance metrics and the steps it had taken in recent years to try and improve fund performance. It didn't go into detail about why it didn't choose to merge the fund with another fund, but it did confirm it had considered that option. Also, given that the decision about whether to close the fund was not customers' decision to make, I don't find it was necessary for JH to communicate its reasons with the detailed and evidence arguments Mr K says he ought to have been given. As I've said – I find JH gave enough information that Mr K could know and understand its reasons for the closure and it then focused on providing information customers would need to make their own decisions in response to the closure.

JH could've given Mr K more detailed information, but I don't think not doing so was a failing, or that it caused Mr K any detriment. And more extensive or different communication with Mr K after the decision was made wouldn't have changed the fact JH had decided, with regulatory approval, to close the fund.

Regarding the possibility of a merger and other potential options it was appropriate for JH to have already considered alternative options before notifying consumers that it was closing the fund. As JH told Mr K it had a regulatory obligation to consider alternative options when making its decision. So it wouldn't be reasonable to expect JH to consider alternative options at the point it was responding to Mr K after having gone through its decision making process and announced it was closing the fund. Further, given what JH had said about the performance of the fund and that it told Mr K other funds were already available that included similar products, I'm satisfied it was reasonably open to JH to have decided a merger wasn't suitable.

Overall I find JH communicated its decision in a way that wasn't unfair or unreasonable. And in conjunction with its response to Mr K personally its notification about the fund closure was sufficient for Mr K to have confidence JH had given the matter reasonable consideration and it was sufficient for him to understand the reasons JH had taken the decision. And for the reasons I haven't found that JH acted unfairly or unreasonably in making the decision to close the fund.

I can certainly understand and sympathise with Mr K's disappointment and frustration over the fund closure itself. But I haven't found JH treated him unfairly or unreasonably in the particular circumstances of this complaint. So I'm not requiring JH to do anything further.

My final decision

For the reasons I've set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 14 August 2025.

Lucinda Puls
Ombudsman