

The complaint

Mr N complains that Tavistock Asset Management Limited (TAM) didn't properly manage the Abacus Medium 6 – DFM (DFM6) portfolio causing him a financial loss.

What happened

Mr N transferred to a new financial advice firm in 2016. In 2018 he was advised by that firm to invest half of the transferred holdings equally across two portfolios. At this time that included half being invested in a step lower risk version of his eventual DFM6 investment. That advice was accepted and the recommendations made by that firm were implemented.

In 2019 Mr N told his adviser he wanted to take some more risk to try and achieve greater returns. His risk tolerance was reassessed and that led to his adviser recommending he switched his DFM holdings into DFM6. And later in 2022, Mr N switched his holdings from the other portfolio into his existing DFM6 holding.

Dissatisfied with the performance from that portfolio the following year, Mr N encashed his holdings investing them instead in fixed rate savings in October 2023.

Mr N felt the performance stemmed from TAM not properly managing the DFM6 portfolio, which it was the manager of, and he complained to the firm about the losses he incurred. In summary he said:

- His losses were higher than he should expect from market conditions alone.
- This happened because TAM wasn't properly managing the DFM6 portfolio, which he in part felt was demonstrated by his pension not incurring the same levels of loss as DFM6.
- The firm failed to meet its duty of care towards him.

TAM considered his complaint but didn't agree it should be upheld. In summary it said the losses were due to certain funds underperforming and by it taking a defensive stance in its management due to various economic concerns, including the prospect of recessions.

Mr N remained unhappy with TAM's response and asked our service to look into his complaint further. One of our Investigators reviewed the matter, but she didn't think it should be upheld. Commenting on the role of TAM in its role managing DFM6 only, she said:

- TAM hadn't unreasonably constructed the DFM6 portfolios.
- Mr N's mandate was long term, and TAM wouldn't be suitably applying that by making short term decisions that would crystallise losses.
- She wasn't persuaded there was evidence of internal factors affecting the performance, in her view market conditions was the driver of the losses Mr N complains of.

Mr N responded to our Investigator disagreeing with the conclusions she reached for similar reasons to before. As an agreement couldn't be reached Mr N's complaint about Tavistock was passed to me to decide.

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.

Firstly, this service can't consider a dispute about the performance of an investment, particularly in isolation. This complaint is about discretionary portfolio management and in this context I can consider evidence relating to performance but only in order to determine whether TAM did anything wrong in its obligations relating to discretionary portfolio management.

The main responsibility it has here is to carry out its functions in line with the mandate it has been given for how to invest for Mr N. This was executed through its model portfolio services, specifically the portfolio DFM6.

The mandate TAM had for Mr N was that he:

- Was investing to achieve growth.
- Wanted to take a higher level of risk to do so.
- Wanted to invest in line with a risk description that said he 'was willing to invest in mainly higher-risk investments such as UK and overseas shares and typically some lower and medium-risk investments, such as cash-type assets, bonds and UK commercial property.

Based on that then I would expect TAM to have constructed or placed Mr N in a portfolio meeting those requirements. Under a discretionary arrangement the assets will change over time without Mr N's involvement, as the firm has authority to make investment changes to the portfolio as it sees fit, but in line with the mandate it has, without first consulting Mr N.

I've seen a copy of the portfolio factsheet in use at the time Mr N's assets were placed into DFM6, and many copies of those since. The objectives of the portfolio are clearly set out within this to be to:

“...deliver long term capital growth by investing in a range of global financial markets. The profile is typically comprised of higher risk investments such as equities and commodities but will also contain a few lower and medium risk investments such as cash, bonds and property.”

Details about the asset allocation at the time Mr N invested in DFM6 is also set out in this factsheet. This shows the holdings, which were held within diversified funds, was as follows:

- Developed Market Equities – 55%
- Emerging Market Equities – 14%
- Government Bonds – 12.5%
- Corporate Bonds – 10%
- Cash – 5.5%
- Emerging Market Bonds – 2%

- Property Equities – 1%

This represents a 70% holding in equities and 30% in bonds and cash. Which is a typical construction of a portfolio with the aims that Mr N had. I say this because it has a higher equity component to seek the growth element but with bond holdings which are typically used to diversify the risk across generally less volatile assets. Looking at the updated factsheets as time progressed, the portfolios allocation moved around although in my view that was managed within a reasonable range of the above.

In considering how the portfolio was constructed then, I'm satisfied the allocation of assets was in line with the mandate TAM had for Mr N given the risk descriptor (referred to in my third bullet point above) about how it was to invest his money, and what in. I say this because as it was constructed DFM6 allowed him to seek those growth objectives through the higher equity levels but with the risk diversified through traditionally lower risk asset such as bonds and cash-like instruments, and had diversified it across several funds mitigating the impact individual losses could have on his portfolio. It follows then TAM, in my view, suitably and fairly managed his portfolio holdings.

To the level of losses incurred, TAM has provided an explanation around how the portfolio was managed at the time. It says it felt its overall outlook for the economy was negative and so made adjustments with the view to avoid the severity of future losses on the portfolio. It's concerns about the economic impact, and those further to come, were from a range of economic sources and my interpretation of its comments are it was worried about a combination of them rather than one specific event or any specific locale. It's response to this situation were to take a more 'defensive' stance in managing the portfolio, typically meaning to put more weight on capital preservation than seeking growth opportunities.

It's concerns about the economic outlook at the time, in my view, weren't unreasonable. There were several factors impacting the markets and global economy which likely would've affected, and would continue to affect, Mr N's portfolio. These included rising interest rates, rising inflation, continued pandemic recovery and war to name only some. These factors in particular would've likely impacted the assets Mr N was exposed to given the global spread and levels of equities he was invested in, as well as the falls in bond values around this time. Both these asset classes were affected by rising interest rates and inflation alone, and when adding other factors such as war only added to the already difficult situation the markets were in, and likely to continue to head.

It's possible the defensive position TAM says it took may not have turned out to have mitigated future losses as intended or may have worsened them. But at the time with the economic position it was faced with and its future concerns and predictions around this, I can't fairly say it was an unreasonable position to take. I'm satisfied in the circumstances TAM constructed the portfolio and made the adjustments it did in both a suitable manner and in the best interests of Mr N. Unfortunately, those didn't prevent the losses Mr N incurred, but that doesn't on its own mean it unsuitably managed his portfolio.

It follows then that overall, I'm satisfied the portfolio was constructed in a way which met the mandate it had for Mr N and managed it in line with his mandate in a fair and reasonable manner.

I appreciate Mr N hasn't seen falls in value to the extent on his pension, which is contributing to his thoughts that TAM weren't managing the portfolio properly. But I'm not persuaded that performance difference evidence TAM failed to suitably manage his portfolio. His pension was likely invested in a different way to this portfolio and so would be differently exposed to the movements in the markets, which would lead to a different level of impact on his pension compared to DFM6.

I sympathise with the position Mr N has found himself in, he's incurred losses above what he himself expected but in the circumstances at hand where the losses Mr N incurred in my view are more likely caused by market factors than TAM failing in its obligations to him, I won't be directing it compensate him for his losses.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 10 September 2025.

Ken Roberts
Ombudsman