

The complaint

Mrs C and Mr C ('the complainants') have complained about True Potential Investments LLP ('TPI') and True Potential Wealth Management LLP ('TPWM'). TPWM provided an advisory service to them. TPI managed and administered their assets (pension and non-pension) on its investment platform. They were invested in the True Potential Balanced Portfolio ('TPBP'), a discretionary portfolio. This decision relates only to TPI and the complaint about its portfolio management and administration service. A separate complaint about TPWM's service has already been determined.

In the main, the complainants say TPI's service, from around 2019 onwards, was of poor value given the mismanagement and underperformance of their portfolio, so it fell short of its obligation to deliver to them the price and value outcome under the Consumer Duty. They also say there was cash in the portfolio that was wrongly denied interest.

In the main, TPI's position is that until recently it did not pay interest on cash held on its platform (as confirmed in the agreed terms), that its service provided fair value to the complainants, and that it did not mismanage their portfolio (instead, notable socio-economic factors beyond its control impacted on the portfolio's performance).

What happened

One of our investigators looked into the complaint and concluded it should not be upheld.

His main findings were –

- The complainants paid an Ongoing Advice Charge ('OAC') for TPWM's service, but that had nothing to do with TPI's service.
- Annual fees of 0.4% (for the TPI platform) and 0.78% (for the TPBP based management service) were applied by TPI.
- The platform fee covered investment administration, '24/7' platform access (including live chat, email and phone support), custodian services, and safekeeping services. With regards to the management fee, the TPBP's objective was defined as follows –

"The objective of the True Potential Balanced Portfolio is to provide investors with a way to achieve their investment goals. The Portfolio offers full exposure to different manager styles within the Balanced risk profile. We review the Portfolio monthly and, if necessary, rebalance to the allocation of styles that we believe offers the best opportunity for growth within the Balanced risk profile. The Portfolio aims to produce a higher risk-adjusted outcome at a lower average cost, compared to an equally weighted model of Balanced funds."

- Also with regards to the management fee, the investigator said –

"The Portfolio is made up of True Potential versions of funds covering various asset classes and a wide range of fund managers. The portfolio uses other fund managers"

... and TPI put them through a six-stage process for selection before carrying out performance analysis and ongoing governance. This is overseen by a Chief Investment Officer, Investment Directors an Investment Management Team, and the external Fund Managers.

TPI carry out a monthly review across all funds, ensuring suitability for each risk profile. They look at a risk and return for each asset class over a 22-year period and measure its volatility. Any potential changes are discussed with the fund manager and final changes made by the Chief Investment Officer."

- Relevant guidance [which the investigator drew from the regulator's 'Final non-Handbook Guidance for firms on the Consumer Duty'] addresses the price and value outcome where different firms are involved in the distribution chain of an investment product. The outcome includes the fund manager's responsibility to ensure its charges are justified in the context of the overall product, and the platform provider's responsibilities to set fair value charges for using the platform and to consider the impact of other charges in the chain on the value of the product to the consumer.
- TPI's platform fee rate appears to have been within industry norms.
- TPI's terms clearly stated that it does not pay any interest on uninvested cash held in its platform accounts, instead such cash would be used to service charges or carry out instructions. However, Mr C provided evidence of TPI's decision in 2024 to pay such interest at the rate of 2.16% (backdated to March 2024). This will be applied to his account too. Nevertheless, the fact remains that the terms justified the non-application of interest to cash prior to TPI's 2024 decision.

The complainants disagreed with this outcome and asked for an Ombudsman's decision.

A considerable part of their response concerned the outcome in the separate complaint about TPWM. In terms of their complaint about TPI they referred to counter proposals for settlement they made to TPI before it issued its complaint response. They expressed dissatisfaction that those proposals were ignored by the investigator. They also considered that TPI should not be allowed to hide behind disclaimers or avoid responsibility for their portfolio's poor performance.

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 have reached the same conclusion presented by the investigator.

Scope

As I mentioned above, the complainants' separate complaint about TPWM has been determined, so this decision makes no findings on the issues raised in that complaint. My remit is limited to the issues in the complaint against TPI – the alleged mismanagement of the complainants' portfolio (connected to their claim about the portfolio's underperformance), the allegation that TPI's management service was not of fair value, and the interest on cash matter.

I am aware of the settlement counter proposal presented by the complainants to TPI and TPWM. Determining the proposal is not within the scope of this decision. Whilst I have read

and understood its contents, the fact is that no settlement resulted from it. Therefore, the complaint issues (as summarised above) have remained in dispute since and to date, so those are the issues I address in this decision.

Management and performance of the complainants' portfolio

Our service does not normally determine investment complaints solely on the basis of a portfolio's performance. In general terms, investment performance is broadly dependent on various factors, including market forces and socio-economic conditions (both of which are beyond an investment manager's control). For this reason, and in the absence of performance guarantees in a case, we do not ordinarily hold firms responsible for underperformance on its own.

No performance guarantee was given by TPI to the complainants.

However, the above does not mean firms cannot be held accountable for their management of clients' investments. They can. Where investments are managed, we can consider whether (or not) they have been suitably/properly managed in line with the relevant management mandate agreed between the parties.

The complainants' assets were invested in TPI's TPBP, which was a discretionarily managed portfolio. In other words, the assets were under TPI's discretionary investment management. I have quoted, below, contents from the Discretionary Management Service Agreement that applied to its relationship with the complainants. I consider them relevant to the mandate for the TPBP, to the mismanagement allegation and to the fair value matter that I address in the next section of this decision.

"TPI is a regulated platform operator, investment manager, custodian, pension operator and administrator and we own our own platform (True Potential Wealth Platform).

As an investment manager, we manage our own range of True Potential Wealth Strategy Funds and deliver Discretionary Investment Management through our True Potential Portfolios service available on the True Potential Investor website."

"The service does not provide investment advice or give a personal recommendation and therefore we will not advise you on any existing investments you may hold ..."

"The investment manager has complete discretion (often within agreed limits) to manage and invest your money without referring to you before it deals on your behalf."

"True Potential Investor will keep your portfolio of investments under review and will make any necessary changes by buying and selling investments on your behalf. Please remember that decisions to buy or sell investments within your portfolio will be made by us and will not be referred to you for approval. Any changes to your discretionary portfolio will not take account of your personal tax position."

When exercising discretion over the make-up of the clients Portfolio(s), we will ensure that the investments contained within the Portfolio(s) will only invest in non-complex products, therefore the scope of True Potential's Discretionary Investment Management Service will be limited to FCA authorised unit trusts, Open Ended Investment Companies (OEICs) and Exchange Traded Funds (ETFs). We will not invest in any other types of financial instrument."

We may invest your monies into a range of instruments with varying levels of risk. Higher risk and lower risk funds may be purchased for the Portfolio in a balance which meets your risk objective for the Portfolio."

“The True Potential Discretionary Investment Management Service invests exclusively in assets available on the TPI Wealth Platform and therefore you agree to have your investments held on the TPI Wealth Platform. Please see your Key Features & Terms and Conditions document for more information on the Wealth Platform and the charges section below for the costs associated with holding your investments on the Wealth Platform. The True Potential Discretionary Management Service is not available for the management of investments on any other Wealth Platform or with any other provider.”

The contents of the TPBP factsheet are also relevant to determining the overall mandate for TPI’s discretionary management service. The TPBP was the portfolio the parties agreed. Its factsheet includes –

“The Portfolio offers full exposure to different manager styles within the Balanced risk profile. We review the Portfolio monthly and, if necessary, rebalance to the allocation of styles that we believe offers the best opportunity for growth within the Balanced risk profile. The Portfolio aims to produce a higher risk-adjusted outcome at a lower average cost, compared to an equally-weighted model of Balanced funds.”

The factsheet also confirms the following investment approach – a mix between balanced TP sub-funds and balanced sub-funds jointly managed by TP and other fund managers (including notable names like Schroders, Goldman Sachs, Allianz and UBS); allocation of around 60% to equities (around 30% allocated to US stocks, and the remainder shared between UK, European, Japanese/Asia Pacific and Emerging Markets stock) around 29% to bonds (mainly government and corporate bonds, in addition to inflation linked, Emerging Markets and high yield bonds), then the rest allocated to Property, Gold, Alternatives and Cash (around 4%).

TPI had a degree of discretion within its application of the approach set out in the TPBP factsheet. Nevertheless, available evidence is that, in the main and during the relevant period, it broadly complied with the approach as depicted, with regards to how the TPBP was operated. That approach was what both parties agreed as part of the mandate for the complainants’ portfolio. Furthermore, I am satisfied that the asset allocation approach used for the portfolio matched its balanced profile, with its majority (60%) exposure to equities balanced by the exposures to bonds and the other asset classes mentioned above in the remainder.

The investigator noted the following in his findings –

“I asked [the complainants], in the context of investment performance, not advice, are there any specific investment decisions that TPI have made that they disagree with or believe have contributed to the poor performance of the fund.

They said that it wasn’t possible to answer as they have no idea how they reach their investment decisions and suggested that the advice to invest was poor, which is being dealt with under [the separate complaint] against TPWM.”

I have verified the above. No specific and identifiable investment action(s) appears to have been cited by the complainants as evidence of mismanagement. I have seen submissions from them suggesting a general failure by TPI to read and/or react to the markets as they consider it should have done, but there appears to be nothing in the form of specific examples of alleged mismanagement. Instead, and as the quote above mentions, their main submissions have been about the advice from TPWM.

The terms above defined the agreed discretionary mandate for the complainants' TPBP based portfolio. I have considered information on the portfolio over the relevant period and have not found evidence that it was managed outside of these terms. I also echo the investigator's findings, as quoted in the previous section, about the background work conducted within the management service – with regards to the selection and monitoring of external joint sub-fund managers, the periodical reviews of all invested funds (in terms of suitability for the TPBP, risk and volatility) and the handling of fund changes.

Without a specific example of mismanagement in the complaint, my approach has been to consider the management service as a whole. That has resulted in the conclusion summarised above.

I have considered the complainants' comments about TPI's readings of and reactions to the markets, but their agreement to delegate full discretion to TPI, based on the mandate, informs my first view on the comments. It had discretion to decide how to react to the markets based on its reasonable analysis of them and on the reasonable workings of its operations. I have not seen, or been directed to, evidence that it did this negligently or recklessly. I understand if the complainants consider that it could have done so in a better fashion, or that another firm could have done so in a better fashion, but that does not automatically mean TPI did something wrong in its analysis and reactions to the markets.

TPI has offered an explanation for the performance that resulted from its management. As I said earlier, I will not consider performance in isolation, but I find its explanation relevant to the complainants' comments about its handling of their portfolio in response to market events. It said –

“True Potential Investments invest worldwide ... Our Investment Management Team have confirmed we have seen a spike in asset market volatility (equity and bond), due to a number of factors out of True Potential Investments' control. The economic recovery following the Covid-19 Pandemic, the associated supply challenges ... backdrop of rising inflation rates across the globe, changes in monetary policy ... This economic uncertainty has been heightened by the geopolitical backdrop ... From an economic perspective, the impact on commodity markets, energy and soft commodities has been significant, further exacerbating inflationary pressures.”

These are legitimate factors to be borne in mind when considering TPI's handling of the complainants' portfolio, especially in the context of the markets from around 2020 to date. In addition to the lack of evidence of any specific wrongdoing, these factors provide reasons why, on balance, I am not persuaded by the claim that TPI did anything wrong in navigating the portfolio through the changing landscapes in the wider markets. Those changes were indeed caused by factors beyond its control, including the examples mentioned in the quote above.

For all these reasons, I do not find that TPI mismanaged the complainants' portfolio. As I explained, I will not determine performance on its own, so in the absence of mismanagement, I do not uphold the complaint about performance of the complainants' portfolio.

Fair Value

The complainants are entitled to question the value derived from the TPBP based discretionary management service they received from TPI for their portfolio. The Consumer Duty they have cited supports them in posing such a question.

That duty is not retroactive. Depending on the open or closed nature of the product/service, the Consumer Duty applies from either July 2023 or July 2024. My understanding is that TPI's service is an open service, so it has been covered by the duty since July 2023. The issues in the complaint relate to a period ending around late 2023/early 2024, so part of the complaint about fair value falls under the Consumer Duty's coverage (since July 2023) and it is in this context that I have approached the matter.

As mentioned by the investigator the focus of the price and value outcome rules is on ensuring the price the customer pays for a product or service is reasonable compared to the overall benefits, and value needs to be considered in the round.

The True Potential Wealth Platform annual fee rate was 0.4%, and TPI's annual charge rate for the TPBP based discretionary management service was 0.78%.

Platform fees vary in the sector, depending a range of factors including the provider, the type of assets held on the platform and the functions/services included on the platform. Therefore, a simple like for like comparison is sometimes not straightforward, but in broad terms, platform services in the sector show a range of annual fee rates between around 0.2% and 0.45%. In this context, TPI's 0.4% annual platform fee was towards the higher end of the range, but it was not an outlier.

The TPBP based portfolio management annual charge of 0.78% was also within the range of portfolio fees in the market and was not an outlier. The regulator's December 2020 evaluation report on the impact of the Retail Distribution Review and on service charges in the financial services sector included the following about portfolio fees –

“Underlying investment portfolio charges averaged 1.1%, but ranged from 0.4% to 2.0%”

This statement was made in chapter 3 of the report, with regards to the distinctions between average initial advice, ongoing advice and portfolio fees. It supports the conclusion that the TPBP annual charge of 0.78% that applied to the complainants around the same time as the report was not only within the range of such charges in the market it was also below the average of such charges.

Turning to the benefits, the platform's functions covered what would be expected from an investment platform. They covered, in the main, investment administration, '24/7' platform access (including live chat, email and phone support), custodian services, and safekeeping services. In broad terms, the service delivered a place to provide, administer and manage invested assets (including those in tax wrappers), to keep them safe (including those that required custodian arrangements) and to access them.

These were inherently valuable benefits, to the complainants and to their portfolio. They depict one of the main reasons behind the popularity of investment platforms. That being having the type of range of functions summed up above in a single place, to facilitate administration and management of investments and access to them.

With regards to the TPBP based discretionary management service, it is fair to say that the components of that service were quite varied. I mentioned in the previous section TPI's responsibilities (including its investment management team's responsibilities) in selecting and monitoring the external fund managers with which it jointly managed some of the sub-funds in the TPBP. TPI also stood as sole sub-fund manager for some of the sub-funds.

In addition, TPI managed the TPBP, as a whole, on a discretionary basis. This gave it an oversight of, and control over, all the sub-funds in terms of the roles they played in working towards the TPBP's objectives. Associated with all these roles were reporting responsibilities

and other relevant regulatory responsibilities. I also note the terms I set out earlier, which I described as being part of the mandate for TPI's discretionary management service. Those terms further illustrate the comprehensive nature of the benefits delivered in the service.

Overall, I am satisfied that both fee rates, in comparison with average rates, and in the context of the benefits given in return, were fair and reasonable.

For the reasons given above, I do not uphold the complainants' complaint about fair value.

Interest on Cash

We have evidence of a 'Dear client' general communication issued by TPI in September 2024, that includes the following –

"Our investment platform is designed to help our clients achieve their long-term investment goals by investing 100% of the money allocated to each account in investments selected for this purpose.

Occasionally, we see clients and their advisers asking us to step away from the 100% invested policy and hold cash. When this happens, we intend to issue reminders as our platform is for investment purposes and not a home for cash savings.

*However, we recognise that in special circumstances temporary cash holdings are required and are pleased to announce that **True Potential Investments will now be paying interest on the cash held in platform accounts.***

The initial payments to be made in September will cover the period from March to June and will be repeated each quarter thereafter. The interest rate payable will be variable and linked to the returns we receive from the Banks holding our client money.

We use a dynamic rate based on all platform cash holdings and the amount accrued for you is calculated daily. For the initial distribution period from March to June, the interest rate applied is 2.16%.

Interest earned will automatically be paid into your account and can be viewed in the Fees, Contributions and Withdrawals section of your account. Interest earned is paid to you on a gross basis."

Prior to this, the platform did not provide for cash savings (or interest on cash in this respect). The first half of the message above alludes to this. TPI changed its position in September 2024 and interest on cash held in its platform appears to have been applied since. The issue raised by the complainants relates to the period before this change. In straightforward terms, I do not find grounds to uphold that issue because TPI was under no previous contractual obligation to pay interest on cash held in its platform.

For the above reason, I do not uphold this part of the complaint.

My final decision

My decision is that the complainants' complaint is not upheld.

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 30 September 2025.

Roy Kuku
Ombudsman