

## The complaint

Mr and Mrs P complain about a change KW Wealth Planning Limited (“KWFP”) made to their discretionary managed investment portfolio. They are dissatisfied with the change, and how it was carried out. They say:

- They gave agreement to switch the multi-asset investment strategy of their pension, ISA and collective funds to KWFP’s Managed Portfolio Solution. At this time they were provided with performance graphics which they were satisfied with.
- They understood that the nature of this investment allowed the portfolio managers to make discretionary trades. But they did not give authority or permission for KWFP to change the whole structure of their portfolio in order to align it to a new solution.
- At no time were they provided with graphics or information about the performance of the new proposition, and it is their view that such a significant change in strategy was a move far over and above the powers afforded to KWFP as discretionary fund manager.
- They were only advised of this significant change in April 2023 by email and have had no postal confirmation of the change. The email communication that was issued falls far short of explaining the full extent of the change.
- They believe all other options should have been presented to them, including the product in which, following consultation with their financial adviser, they are now invested.
- They believe they should be put in the position they would have been in, at the time of the switch to the product they are now invested in, had the change to the portfolio not been made.

## What happened

Mr and Mrs P invested in the Kingswood Model Portfolio Service (“KMPS”) in late 2020. This was a discretionary management service, with KWFP acting as the investment manager, utilising a series of model portfolios, each intended to be suitable for a particular attitude to risk and objective.

In late 2021 KWFP acquired another investment manager, IBOSS. This led to a number of changes which ultimately resulted in the merger of the Kingswood and IBOSS investment management services, and the KMPS being renamed the IBOSS Model Portfolio Service (“IMPS”).

KWFP says it wrote to Mr and Mrs P on 17 February 2023 to let them know about this change, and that it sent the letter in question to them by email. Mr and Mrs P say they did not receive a letter at this time and were only told of the change in April 2023.

KWFP’s letter, which is undated, explains its acquisition of IBOSS and that this effectively

means IBOSS will be the investment manager, albeit as part of KWFP, with the consequent change of name of the management service from KMPS to IMPS.

I asked KWFP for further details of the migration and it told me:

- This was the original timeframe:
  - January 2022 – Kingswood IBOSS officially launched
  - February 2022 – Migration targets agreed
  - March 2022 – Migration of Kingswood MPS to Kingswood IBOSS to commence
  - January 2023 – Migration to be complete, clients start to be informed about the model move and change of fee
- Both Kingswood and IBOSS portfolios were regularly reviewed and rebalanced prior to migration, in the normal course of portfolio management. Kingswood and IBOSS propositions became more aligned generally during this period.
- It took until April 2023 to fully migrate over. It made regular changes over 2022/2023, initially aligning asset allocation and then individual assets. Turnover would have been relatively high as the initial crossover was not significant. It took its time to ensure client care was paramount and also stretched the changes over multiple tax years.
- This was a model rebalance only; there were no trading or administration fees payable on the platform.

Mr and Mrs P discussed the change with their financial advisor at KWFP at their annual investment review on 28 September 2023. The discussion and agreed course of action were set out in KWFP's 11 November 2023 report as follows:

*"You have become a little disillusioned with investment returns over the past 12 months. You concluded that fund charges are outstripping return and you feel a change of strategy is required to address this.*

*We discussed core investments that adapt an active approach, where a fund manager may be aiming to outperform a given benchmark against a more passively managed fund that aims to track a particular index and often comes at a lower cost. We agreed that a blended approach of these two strategies would meet their (sic) needs."*

Following this, Mr and Mrs P's investments were moved to a different management service which offered the blended approach described in the report.

Mr and Mrs P made their complaint in May 2024. KWFP did not uphold the complaint. Mr and Mrs P were not satisfied with KWFP's response and therefore referred the complaint to us.

### **Our investigator's view**

Our investigator concluded the complaint should not be upheld. He said, in summary:

- As the DFM, KWFP has authority to make investment decisions on Mr and Mrs P's behalf without their permission

- The communication from KWFP highlighted that the changes would automatically be made on Mr and Mrs P's behalf. It is reasonable to say they should have contacted KWFP to highlight their concerns or understand the transition more if they felt the email lacked information or clarity, however he had not seen any evidence of this until their complaint was made in May 2024.
- He appreciates Mr and Mrs P felt the email they received did not explain the changes sufficiently, however they could have contacted KWFP to obtain further information.
- Mr and Mrs P both had email as one of their preferred methods of correspondence and there was no obligation for KWFP to send post instead of or as well as email.
- The nature of the assets held by the portfolio did not significantly change following the migration, and remained consistent with Mr and Mrs P's attitude to risk
- Although some of the underlying funds might have changed, he was not persuaded the migration was unfair or unreasonable.

### **Responses to the view**

Mr and Mrs P did not accept the investigator's view. They said, in summary:

- Clearly the shift in the fund was in KWFP's own interest.
- KWFP changed their fund without permission, and the new fund was a closed fund, only available to it, which only benefited it. Besides the obvious loss caused by the delta between the funds, there were the trading costs and spread differences.
- They never gave permission for this. KWFP took this upon itself to do this for its benefit.
- They ask that we investigate thoroughly from an unbiased position.

We recently shared the further information I had requested from KWFP with Mr and Mrs P. They made the following additional points, in summary:

- They absolutely did not receive the 17 February 2023 letter KWFP has referred to. They both searched their email inboxes and can confirm they did not receive it.
- Reference is made to a fee reduction. Such changes to charges are documented with a request for a signature by the fund platform and the documentation is kept in their profile documents on the platform. A letter they needed to sign would have drawn our attention to the change. They have searched and there is no document regarding a change to fees around that time.
- Although our marketing preferences were via email they would have expected nothing less than some kind of consultation and a sign off in agreement to such a major change.
- It was only when they noticed their fund performance sharply deteriorating that they realised something was amiss.
- The comparison provided by KWFP does not show the difference in values between their original fund and the IBOSS fund over the time period concerned.

## **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 overall conclusion as the investigator, for similar reasons. I appreciate this will disappoint Mr and Mrs P, and would like to say that I am sorry to hear of their difficult personal circumstances.

It seems likely KWFP did take some steps to inform Mr and Mrs P of the change which is the subject of the complaint i.e. from KMPS to IPMS. Mr and Mrs P say in their original complaint to KWFP that they were told by email in April 2023. It is not clear whether the communication took the form of the undated letter KWFP say was produced on 17 February 2023, and I have seen no other communication. But the fact of the change was relayed to them, it seems.

It was not, in my view, unreasonable for KWFP to communicate by email, in the circumstances. Mr and Mrs P had stated they were willing to receive communication by email, and KWFP had used email to communicate with them in the past. It is not unusual for businesses to now operate on a "paperless" basis and I have not seen sufficient evidence to show a physical letter would have been more impactful, in this instance.

So, I am satisfied Mr and Mrs P were told about the change, and the medium of communication used by KWFP was a reasonable one. I appreciate Mr and Mrs P feel they should have been given more detail about the change. However, it was open to Mr and Mrs P to seek more information, if they wanted it, and it seems the key fact of the change was communicated to them, as mentioned.

In respect of whether Mr and Mrs P's agreement should have been sought, discretionary management changes can include changes of approach, funds used, or personnel conducting the management – a discretionary mandate provides wide-ranging powers to manage investments as the appointed manager sees fit (subject to the overall portfolio being suitable to the selected attitude to risk and objectives). And, in this instance, I am not persuaded KWFP went beyond those powers in making the changes it did to bring about the change from KMPS to IMPS.

It seems KWFP essentially acquired a new or additional investment management team, following its acquisition of IBOSS, which led to a model portfolio change; but that this was a gradual process, with changes being made over a long period of time to align existing KWFP and IBOSS portfolios. KWFP has confirmed no costs were involved in the process i.e. there were no trading or administration fees associated with the changes.

The profile of the changed portfolio was broadly similar to the original. There was an increase of around 10% in the equity exposure, and a decrease in the fixed interest exposure. But it was still consistent with Mr and Mrs P's attitude to risk and objectives and therefore remained suitable for them. Model portfolios are also generally kept under review by their managers and can significantly change over time; particularly if new investment managers are introduced or a change of approach is made. So, the make-up may have changed regardless of the IBOSS acquisition.

Whilst the change may have ultimately benefited KWFP there is insufficient evidence to show KWFP should reasonably have concluded that it would be detrimental or of no benefit to its customers. IBOSS was a long-standing investment manager which KWFP says was award-winning and had a strong track record.

Ultimately, Mr and Mrs P granted KWFP discretion to act as they saw fit. And, based on the available evidence, I think KWFP exercised that discretion reasonably here.

I do not think, in the circumstances, that KWFP was obliged to offer alternatives to Mr and Mrs P. It was carrying out the investment management it had been engaged by them to provide, and advice was available if Mr and Mrs P wanted it (and I note they did later take advice).

I note Mr and Mrs P refer to a change in the charges they paid for the management of their investments and say their agreement to this should have been sought. I think this may well have been the case had KWFP sought to increase charges. However, in the circumstances, I do not think their authority was needed for a reduction in charges.

Overall, for the reasons I have set out, I do not think it would be fair and reasonable to ask KWFP to do anything to resolve this complaint.

### **My final decision**

For the reasons given, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 8 January 2026.

John Pattinson  
**Ombudsman**