

The complaint

Mr and Mrs S have complained about the suitability, management and performance of their discretionary portfolio with Canaccord Genuity Wealth Limited ('Canaccord'). They say their portfolio has lost around £200,000 and are seeking compensation.

What happened

Mr and Mrs S were customers of a predecessor business – that I shall call 'Company H' in my decision – since 2015 which was taken over by Canaccord in 2018/2019. Mr and Mrs S say they didn't realise their risk profile would change because of the transfer of the portfolio to Canaccord, and they didn't think it was managed within the agreed mandate.

In February 2024 Mr and Mrs S removed their account from Canaccord and raised a complaint on 13 June 2024.

In its response Canaccord didn't uphold the complaint. It said;

- When Mr and Mrs S were customers of Company H, they had a 'medium risk account'. Company H introduced a new method of risk assessment and Mr and Mrs S were assessed as being 'Risk Profile ('RP') 8' (where RP9 was the highest level of risk) which was confirmed to them in 2016. This was further confirmed in 2017 and 2018.
- In 2018 Company H was taken over by Canaccord and Mr and Mrs S agreed to the new terms and conditions which became effective in April 2019. RP8 was confirmed in correspondence with Mr and Mrs S' portfolio summary correspondence from Canaccord in 2019.
- Suitability of the portfolio was regularly reviewed, and the portfolio was structured within Canaccord's guidelines for a RP8 portfolio.
- The performance was in line with what was expected for a RP8 portfolio.
- It concluded by saying Mr and Mrs S were aware they were invested in a RP8 portfolio from 2016, suitability review meetings were carried out, there was no evidence Mr and Mrs S questioned their risk profile, management or performance. They were aware of and understood the risk and the portfolio was constructed within its RP8 guidelines.

Unhappy with the outcome, Mr and Mrs S brought their complaint to the Financial Ombudsman Service. Our investigator who considered the complaint didn't think Canaccord needed to do anything more. She said;

- She detailed the change in risk profile with Company H and Mr and Mrs S' subsequent agreement to the risk profile being suitable with Canaccord.
- Regular income was taken from the portfolio from July 2021 but confirmed the risk profile was still appropriate.
- Mr and Mrs S were sent quarterly statements of the portfolio showing the

performance and the investigator couldn't see it was invested outside of the agreement.

Mr and Mrs S didn't agree with the investigator and asked that their complaint be reviewed by an ombudsman, so it has been passed to me for 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.

After doing so, I've reached the same conclusion as the investigator and broadly for the same reasons. I'll explain why.

In 2015 when Mr and Mrs S became clients of Company H, Mrs S had been retired since 2013 and was taking pension income of £7,400 and Mr H was employed earning £50,000 and intended on retiring in 2020. They received a combined portfolio income of £7,000.

Mr and Mrs S were to transfer around £200,000 – an inherited portfolio from Mrs S' parents – to Company H with a balanced mandate and medium level of risk. The portfolio was to be invested in;

'direct equities, and collective investments, including UK lar, mid cap as well as small cap, international equities as well as bond, real estate and thematic collectives...asset allocation of 40-80% equities and 15-35% fixed income and cash.'

On 1 November 2016 Mr and Mrs S completed a review including a risk profile questionnaire responding to the questions with a choice of numbers one to five, with five being 'Strongly agree'. They strongly agreed to the questions;

'If there's a chance of making better long term returns, I'm prepared to take investment risk.'

And;

'I would be happy to tolerate fluctuations in the value of my investment to get a better return in the future.'

They also answered four to;

'I believe that I generally take bigger investment risks with my money than other people.'

Their answers to the following were two;

'Making a loss on my investments would make me worry about not having enough money for the future.'

And;

'I would rather have a predictable investment outcome than one which is potentially higher, but unpredictable.'

Those answers suggest to me that Mr and Mrs S were happy to accept a higher level of risk. Their answers resulted in a RP of 8 and the description of RP8 was;

'People in this category are significantly comfortable with investment risk. They aim for high long term investment returns and do not overly worry about period of poorer performance in the short to medium term. Ordinarily these portfolios can be subject to the full extent and frequency of stock market fluctuations.'

Further to Mr and Mrs H's completion of the risk questionnaire Company H wrote to Mr and Mrs S on 14 November 2016 to explain;

'The most significant change to the process, has been the completion of our risk questionnaire. Where historically client accounts were categorised as either Low, Medium or High Risk, we now grade accounts on a scale from 1 to 9, with 1 being the lowest risk and 9 the highest.

Using a combination of the score that has arisen from the questionnaire and the other information we hold, your accounts will be set up as an 8 on that scale. Your designated requirement for a combination of income and growth will remain unchanged.

This broadly equates to the previous risk level and as such there will be no need for any significant changes to your portfolio. We will continue to manage it along the same lines. It will comprise an asset mix of 70-90% equities, 0-10% alternatives, commodities, cash or commercial property and 0-20% fixed interest...'

I'm satisfied the above made clear to Mr and Mrs S the risk rating for their portfolio was being changed and the answers they had given to the questions posed indicated they were prepared to accept a level of risk at the higher end of the risk spectrum. If Mr and Mrs S weren't happy with this change, I don't think it's unreasonable to conclude they would have challenged it at the time.

Mr and Mrs S updated their account and refreshed the information Company H had for them in May 2017 and their RP remained at 8 and the need for income and capital growth remained unchanged. This was again confirmed on 19 April 2018 when there were no changes to the investment risk level, objective or purpose of investment. The;

'portfolio will continue to be managed along the same lines as those set out in the previous Circumstances Letter you received.'

The September 2018 'Summary of key differences between [Company H] and CGWL' confirmed that Canaccord would adopt Company H's categorisation and with regard to suitability and management Canaccord was;

'...also obliged to ensure our investment decisions and advice are suitable for you – and we will use the information you have already supplied to [Company H] to comply with this obligation. In the future, we will collect further information to ensure our decisions and advice remain suitable.

We have the same obligation and we will use the information you have already supplied to [Company H] to comply. After the Transfer Date, we may ask you for further information from time to time.'

On 1 October 2018 Mr and Mrs S agreed to the transfer of their portfolio to Canaccord and its Terms of Business and Service Agreements.

A 'full review of account for suitability' was completed on 15 November 2018 and Mr and Mrs S confirmed they could;

‘...tolerate some significant fluctuations to both capital and income.

...

‘...have other sources of savings and would likely not require access to this investment’

In the event of a 20% fall in value they;

‘...would sit tight, expecting the portfolio to recover’

The resulting ‘Risk score requested for account’ was ‘8’ and there was;

‘No change to client circumstances, rationale for risk 8 remaining appropriate. No income requirement. Future large inheritance from [Mr S]’ mother, sole beneficiary.’

An investment report for the period November 2017 to November 2018 was provided confirming RP8 and an investment objective of a return of income and capital growth. And I can see quarterly ‘Portfolio report’ and valuations were provided thereafter. On the first page of all those reports – the Portfolio summary page – prominently highlighted the current value, asset allocation and the risk profile of 8 followed by the statement;

‘Portfolios following this strategy must have an extremely high tolerance for risk in the pursuit of higher long-term returns and are happy to take positions in speculative small companies to boost returns further.’

I’m satisfied it is clear from the above that it was Company H that introduced the new risk rating categories which resulted in Mr and Mrs S being classified as RP8 investors. They had the capacity for the possibility of losses and the investment wasn’t unaffordable for them. And I think Mr and Mrs S had sufficient investment experience and were given enough information for them to be aware of the varying levels of risk and potential rewards implicit in stock market investments.

When Canaccord took over the management of the portfolio, while it had an obligation to ensure continued suitability, from the information presented to me there’s nothing to suggest the portfolio wasn’t suitable based on what Mr and Mrs S had said. The only alteration during the period was a requirement of income from July 2021 but there were no other changes mentioned by Mr and Mrs S. But with that exception Mr and Mrs S continued to confirm there were no material changes to their circumstances and RP8 remained suitable.

I say this because Mr and Mrs S had Suitability Review meetings Canaccord at which their current needs, objectives and risk profile – amongst other requirements – were checked but nothing was raised or questioned by Mr and Mrs S. I’m satisfied they had sufficient opportunity to discuss any concerns they may have had so I can’t see there was any reason for Canaccord to think there was anything wrong or unsuitable for Mr and Mrs S in the way it was managing their portfolio. And Canaccord confirmed the first time Mr and Mrs S raised their concerns was when they raised their complaint.

Canaccord allows its investment managers to invest in a broad range of assets within an approved list. But the investment manager has the flexibility to manage the portfolio within Canaccord’s guidelines. Compared to those guidelines I can see the portfolio was slightly underweight in FTSE 100/All World, had double exposure to the FTSE 250 but this was offset with a significant underweight exposure to higher risk AIM investments. And it was this

that protected the portfolio during the market volatility of 2022. But overall, between 2019 and 2023 it underperformed Canaccord's own RP8 benchmark.

While I appreciate Mr and Mrs S are disappointed in the performance of their investments, I can't consider performance in and of itself, but I can consider whether the portfolio was unsuitable for Mr and Mrs S or whether it's been mismanaged.

Provided a portfolio is invested in line with its overall objectives and disclosed risk – in this case for capital growth and income, within the agreed risk profile of RP8, then it wouldn't be fair or reasonable for me to uphold the complaint on this point. I haven't seen anything to suggest that the portfolio was invested outside of its stated investment objectives or risk profile.

And the fact that the risk of underperformance of the portfolio materialised against the benchmarks, does not automatically mean that the Canaccord did anything wrong. In the absence of any evidence that Canaccord mismanaged the portfolio – and the performance of the portfolios alone doesn't evidence this – I am unable to say that Canaccord has done anything wrong in the overall management of Mr and Mrs S' investments.

While I can understand why Mr and Mrs S may not be happy with the performance of the portfolio during the period in question, but the issue of portfolio performance is not straightforward in that it is actively managed. This means the money is invested in specific assets of funds chosen by Mr and Mrs S' investment manager. If the portfolio in a certain period poorly performed that's because the investment manager had taken certain decisions that hadn't paid off – at least in the period under review. That's disappointing, of course, but reflects the investment manager exercising their judgment – which they were supposed to do. It doesn't mean the investment manager had been negligent or failed in their duty of care. And it doesn't mean the investment manager's decisions won't pay off over the longer term.

I'm sorry for the losses experienced by Mr and Mrs S but taking all the above into account, and in the individual circumstances of this complaint, I'm not persuaded Canaccord has done anything wrong in the management of Mr and Mrs S' portfolio. It maintained the level of risk Mr and Mrs S were exposed to with Company H, continued to monitor the suitability of the portfolio and that it still met Mr and Mrs S' investment requirements, personal and financial circumstances and attitude to risk and I haven't seen anything to suggest the portfolio wasn't right for them or that they were unhappy.

Taking all the above into account, I'm not upholding Mr and Mrs S' complaint. I appreciate they will be disappointed with the outcome, it's clear they understandably feel strong about it, and I'd like to thank them for the time and effort they have spent in bringing their complaint. But I hope I have been able to explain how and why I reached my decision.

My final decision

For the reasons given, I don't uphold Mr and Mrs S' complaint about Canaccord Genuity Wealth Limited.

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

Catherine Langley
Ombudsman