

## **The complaint**

Ms S complains that Scottish Widows Schroder Personal Wealth Limited trading as Schroders Personal Wealth ("SPW") caused her to incur an avoidable capital gains tax liability.

## **What happened**

Ms S began investing with Lloyds Personal Banking in 2010, committing £300,000 across a general investment account (GIA) and an ISA (to be fed from the GIA), with a further £50,000 added in 2017. In 2019 she was informed about the new business, SPW, created by Lloyds and Schroders and following a transitional advice review in 2020 both her accounts were transferred to SPW and onto its platform.

Her GIA and ISA continued to be managed in the same way they'd previously been managed with Lloyds, on an 'aggregated' basis, meaning that Ms S's 'balanced' attitude to risk was managed at a portfolio level, combined across both the GIA and ISA.

In 2022 Ms S decided to move her ISA from SPW to a new provider. Once this process was completed it became apparent that the risk level of the GIA in isolation, without the ISA, was too high. As noted, the GIA's high risk level had previously netted off against the low risk level of the ISA to ensure the overall level for Ms S's portfolio remained as 'balanced'.

With only the GIA remaining with SPW, it was explained to Ms S in a telephone call in August 2022 that the holdings in it would need to be rebalanced, so it was brought into line with her balanced attitude to risk. Going forward this would involve SPW using an automated monthly rebalancing process to maintain the risk level through relatively minor adjustments. But the changes needed for the initial August 2022 rebalance would involve a significant number of sales of holdings to lower the risk level to balanced, which would generate a CGT liability. Although this was discussed with Ms S during the August 2022 call, once the gain and resulting liability (approximately £8,000) manifested and was communicated to her in her 2022/23 annual tax report, Ms S complained to SPW.

The ongoing correspondence between Ms S and SPW covered several issues, including the time taken to transfer the portfolio from Lloyds to SPW, a failure to provide other options, the general advice relating to the process, and a lack of warnings about the CGT position.

But Ms S' primary concern was the CGT liability generated by the August 2022 GIA rebalancing, following the transfer of her ISA. She felt that the need to rebalance had only come about because of the changes made by Lloyds/SPW; the way her portfolio was then managed; and a failure to bring to her attention the consequences of the transfer.

SPW didn't uphold any aspect of the complaint, primarily because it felt Ms S had been made aware of the changes at each stage and had agreed to the various options offered. It noted that her SPW adviser had not been notified of the ISA transfer prior to it happening (it was requested directly with SPW's platform by an adviser with the new ISA provider). So, the SPW adviser had to explain the options available to Ms S after the event, in the telephone call of August 2022. These options were to rebalance and incur the £8,000 CGT

liability, move the remaining holdings in-specie to the new provider, or liquidate the entire GIA, which would generate a much larger CGT liability. SPW felt Ms S had therefore agreed to the first option from an informed position.

Ms S referred the complaint to this service, but our investigator also thought it shouldn't be upheld, for broadly the same reasons as those given by SPW.

Ms S didn't accept the investigator's opinion, as she felt the decision to move customers from Lloyds to SPW had been taken without consideration for people in her situation who would incur CGT liabilities. She maintained that she wasn't properly informed of the changes and there'd been no mention of the potential consequences of transferring only the ISA. Further, the transfer itself was completed without any due diligence, which if done, would've alerted her to the situation, and there was a lack of reasoning given for the subsequent rebalancing, with SPW acting solely for its own benefit.

As no agreement could be reached, the matter was referred to me to review.

I issued a provisional decision in which I explained why I also thought the complaint shouldn't be upheld. I said, in part –

*"While Ms S's main concern is with GIA rebalancing of 2022, I've looked carefully at the entire chronology of events when determining whether SPW acted incorrectly or unfairly at any point.*

*Clearly the specific 2022 rebalancing issue is interlinked with the various changes that came before and Ms S makes a reasonable point that if the 2020 transition to SPW hadn't occurred, or if it had been managed differently for customers in her position (those with quite significant holdings), the 2022 issue may not have transpired.*

*But I don't think the transition itself was unreasonable. SPW and Lloyds made the changes after Ms S had been invested for 10 years and over such a period it's not unusual to encounter this type of business restructuring, which will unavoidably have different levels of impact on customers in different circumstances.*

*I'm also satisfied that the transaction was explained to Ms S and that she would've have the option to move elsewhere had she not accepted her adviser's recommendation to move to SPW. While the size of her portfolio was such that changes would result in capital gains, the transition was handled in such a way as to minimise these and the ongoing management of the portfolio after the transition mirrored what had gone before with Lloyds – the aggregated, manual management at a portfolio, rather than an account, level. So, Ms S was minimally impacted and appears to have been broadly happy with the situation up to the point she decided to transfer the ISA.*

*I appreciate Ms S feels this was handled badly by SPW, but as far as I can see, SPW wasn't informed in advance of the transfer. The adviser from the new ISA provider approached SPW's platform directly and requested the change. I note her point about due diligence, but I've seen nothing to suggest that the SPW's platform provider acted incorrectly in facilitating the ISA transfer when requested by the new provider.*

*So, it appears there's little SPW could've done by way of alerting her in advance to the potential consequences. As SPW wasn't given the opportunity to do so, and it's not clear what consideration the new provider gave to the overall picture, all that could be done was to address the issue after the event.*

*And in that respect, I think SPW was clear with Ms S about what had happened, why it had,*

*and what her various options were going forward. Had the options been provided to her before the transfer, there's a possibility that she would've done the same. She wanted to transfer the ISA to obtain what she saw as a better product and service. I accept that had she discovered in advance that making the transfer would have the knock-on effect of prompting the rebalancing of the GIA with the associated CGT liability, she may have decided to maintain things as they were. But although I'm sure she'd disagree, there is the possibility that she would've accepted the liability as the price of obtaining the new ISA product.*

*Ultimately there's no way to be sure what different course of action, if any, Ms S might have taken at any point had things been handled differently. But in any event, in all the circumstances, while I understand Ms S's frustration with the situation, I don't find that SPW acted incorrectly or unreasonably at any point."*

SPW confirmed it had nothing further it wanted to add.

Ms S commented briefly about a further platform move SPW was implementing and how that was creating similar CGT issues.

### **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 see no reason to depart from my provisional findings. I remain of the view that the complaint should not be upheld for the reasons given previously.

### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 28 March 2025.

James Harris  
**Ombudsman**