DRN-5378978

The complaint

Mrs T has complained several complaint points about the advice and service she received from Willson Grange Limited ('WG'). Mrs T says her accounts weren't monitored and WG sold shares without her permission to pay fees. She would like the management fees repaid to her.

What happened

Mrs T, along with her husband met with her adviser at WG at the end of 2020. This decision deals solely with Mrs T's complaint.

Mrs T was advised to invest into the Willson Grange Cautious Portfolio and invested just over £54,400 within an ISA. Mrs T became unhappy with the performance and oversight of her portfolio and the selling of investments to pay fees and raised her concerns with WG in June 2024.

WG addressed Mrs T's complaint in its response of 21 August 2024. It didn't uphold the complaint and said;

- It was reliant on the platform provider – 'Business B' – to update it about fees payable and when there was insufficient cash it raised funds on her account in line with Platform B's minimum disinvestment amount of £15 per fund so it had to take £15 per month from the five largest holdings.
- It had monitored the account and fund switches took place in July 2021 and March and October 2022 with Mrs T's consent. Three review meetings had also taken place.
- Mrs T had been categorised as a cautious investor and she was advised to invest into a cautious portfolio, and while in the earlier years the performance had been disappointing, more recent performance was positive.
- Platform B no longer issued contract notes, but they were available on Platform B's website, and it continued to issue emails confirming the annual costs and charges. It had checked that Platform B had Mrs T's correct email address.

Mrs T wasn't happy with the outcome and brought her complaint to the Financial Ombudsman Service. Our investigator who considered the complaint thought it should be upheld. He said;

- The funds held each had an associated management charge and it was standard practice to pay for platform charges by selling investments.
- There was a lack of information in the fact find of Mrs T's investment history and knowledge. The information around PEPs and lack of investments was an indicator a customer with limited stock market exposure.
- Bearing in mind Mrs T's circumstances, the investments recommended were affordable.

- Mrs T was looking for a better return than cash ISAs and income for the future. Her responses to a risk questionnaire indicated Mrs T wasn't seeking substantial growth but wanted to beat inflation. She valued certainty and maintenance of value and purchasing power.
- The investigator had concerns about five of the funds (45% of the portfolio) and thought they were too high risk for Mrs T. He concluded the initial investment advice was unsuitable and thought the sum invested should be compared to the performance of a benchmark.

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 conclusions as the investigator and broadly for the same reasons. I'll explain why.

My role is to reach what I consider to be a fair and reasonable outcome taking into account the particular circumstances of the complaint after reviewing all of the information and evidence presented to me. Where information or evidence is missing or incomplete, I have based my decision on what I think most likely happened and on the balance of probabilities.

In assessing Mrs T's complaint, I have relied upon the Fact Find completed on 27 November 2020 and Suitability Report dated 16 December 2020, the latter which was sent to Mrs T for her signature to confirm the contents were a fair reflection of his circumstances and objectives etc. Because of this, I don't think it's unreasonable for me to rely upon the information recorded.

<u>Mrs T's circumstances</u>

At Mrs T's first meeting with WG his adviser recorded her circumstances in a Fact Find document;

- Mrs T was 62 years of age, in good health and retired.
- She jointly owned her home with her husband which was valued at £325,000.
- She also jointly held £90,000 of fixed rate bonds and £190,000 in cash accounts.
- Mrs T held £200,000 in cash ISAs.
- Joint emergency funds held were £190,000.
- Mrs T's net monthly income was £1,200 and Mr and Mrs T jointly had a monthly excess income over expenditure of £600.

<u>Mrs T's investment experience and objectives and attitude to risk</u>

Mrs T scored 41 out of 100 on WG's attitude to risk questionnaire which according to its own risk rating suggested she was a cautious risk investor and fell into WG's 'Risk Group 3' (out of risk ratings of one to seven – seven being the highest risk) which was described as being;

> 'For *Risk Group 3* investors, it is more important that the value of the investments does not fall than that it retains its purchasing power but for most retaining purchasing power is the more important of the two.
>
> For some, a fall of 10% in the total value of their investments would make them feel uncomfortable but for others it would take a fall of 20%.

In recent years, their personal investment changes have mostly been towards lower risk.

Over ten years they expect an investment portfolio to earn, on average, about one and half to two times the rate from bank deposits, more likely two times.'

The preferred mix of investment for a Risk Group 3 investor would more likely be 10% high risk/return, 40% medium risk/return and 50% low risk/return.

Mr T had;

'held PEPs in the past but previously used them to pay off mortgage years ago.'

But there's no reference to what the PEPs were invested into or how that would have impacted on Mrs T's investment knowledge and experience.

Her 'needs and goals' were recorded as being;

'Unhappy with returns on cash ISAs + other deposits. Wish to 'test the market' + invest some funds for greater potential growth…'

Mrs T had limited investment experience. It's recorded in the Suitability Report issued on 16 December 2020 that after discussion about Mrs T's;

'understanding of financial services and products with reference to previous advice received and solutions implemented and established that you have limited knowledge and experience. This is reflected in my recommendations.'

With regard to Mrs T's currently held cash ISAs she was;

'concerned that with the current low interest rates these are losing value in 'real money' (i.e., after inflation).'

Mrs T's capacity for loss – based on the adviser's analysis, conversations and the completed questionnaire – was 'high' This was because;

- '… your secure income exceeds your spending, and this is before your State Pensions are payable in a few years' time; also, you will retain substantial cash savings which could be used in an emergency to meet any short-term need.
- Individuals with a high capacity for loss can typically afford any under-performance of their investments as they will not be required to sell units – potentially at a loss – to maintain their stand of living.

Please contact me immediately if you do not understand the potential risks associated with your risk profile or you do not believe it accurately reflects your attitude to risk and capacity for loss as this may affect my advice.' [original emphasis]

Taking all of this into account, I think the levels of risk implicit in investing were explained to and discussed with Mrs T and she was content to expose some of her investment money to a cautious level of risk to achieve greater potential growth over the long term. Looking at Mrs T's circumstances and limited investment experience, plus her investment objectives, I don't find WG's conclusion that Mrs T was to be categorised as a 'Risk Group 3' investor to be unreasonable. But I comment on this further in my decision.

The advice

While I'm satisfied it was most likely the case that Mrs T's attitude to risk was reasonably assessed I've considered whether what was recommended to her was right for her circumstances and financial objectives. With limited investment experience Mrs T would have been totally reliant upon the advice given to her by WG. And I've borne in mind what she'd done previously with her money – by putting it in a risk-free environment in a savings/fixed rate bonds/cash based investments.

But as mentioned above its recorded that Mrs T's investment objective was for the potential for capital growth, so it seems likely that Mrs T did want to explore the opportunity to make her money grow more than it had done while in savings/fixed rate bonds/cash based investments. In the risk questionnaire Mrs T said that the return she was looking for was 'about twice the rate from bank deposits' and it's recorded that Mrs T was receiving 0.5% at the time. Taking everything into consideration I'm persuaded it was more likely that Mrs T was willing to take a small amount risk with some of her money to beat inflation.

In the Suitability Report the summary of Mrs T's objectives were recorded as being to;

> 'improve investment performance in line with your attitude for risk and capacity for loss'

It was recommended that Mrs T transfer her cash ISA, which as I say was paying just 0.50% interest per year valued at just over £54,200, to a platform provider – 'Platform B' – to be invested for ten years plus. This was to ensure there was no loss of the tax benefits of the ISA, wouldn't affect the ISA allowance in the current tax year and the 0.50% interest rate currently being received was 'very poor'.

For the ISA it was recorded Mrs T wanted;

> 'to allocate some your cash savings to longer-term investments, with higher growth potential. The money will be used to fund future holidays, or possibly supplement your retirement income.'

The disadvantages were highlighted as being that a stocks and shares ISA;

> 'can – and, at times, **will –** go down in value'

and that initial charges on reinvestment would be incurred. The initial one-off charges and recurring annual charges were provided.

The stocks and shares ISA was recommended as it provided;

> 'the potential for capital growth as per your requirements' [and it reflected] 'your investment objectives and access requirements.'

A fund of 12 funds was recommended – the Willson Grange Cautious Portfolio –

> 'for the following reasons:
>
> - As a company we have performed extensive due diligence on all our investment partners and the selected funds meet the criteria set out in that process.
> - It has performed well when compared to its benchmark.
> - It provides exposure to a range of assets classes and market sectors

resulting in greater diversification and reduced risk.
- It reflects your risk profile.
- You wish to take an active approach to investing in an attempt to outperform the market.'

Mrs T was provided with a key features document, a product illustration, fee agreement and key investor information documents ('KIIDs') for the funds that were recommended.

Taking account of Mrs T's limited investment experience plus the information gathered about her circumstances and investment objectives I don't agree that the investment recommendation, a Cautious portfolio – in itself – to have been unsuitable for Mrs T. I'm persuaded Mrs T was most likely a cautious risk investor and was willing to take a small amount of risk for the potential of capital growth with a portion of her investable assets.

However, I have significant reservations about the make-up of underlying funds held within the Cautious Portfolio and the suitability of them for Mrs T bearing in mind her investment objectives. The KIIDs for all the 12 funds invested into all have their own identified risk and reward profile. These, like the risk rating for Mrs T, all range from one to seven, one being the lowest risk and seven being the highest risk. While I accept the risk/reward criteria for an individual such as Mrs T and a fund are different, I don't think it unreasonable to expect that the risk/reward ratings of the funds to reasonably reflect the risk/reward category of Mrs T.

I say this because it was WG's decision to use the tool that provided the risk/reward categorisation for Mrs T, and it was WG's own decision about the reasonableness of the risk/ratings of the funds it chose to include in the Cautious Growth portfolio. So, I don't think it's unreasonable for me to conclude that some correlation between Mrs T's risk categorisation and the risk/reward profiles of the funds.

The below table details the constituents of the Willson Grange Cautious Portfolio, its exposure to each fund and the fund's own risk profile. I have included 'Fund's own description' for those funds which I think pose a higher than necessary risk.

Investment	**Allocation**	**Fund's own risk/reward profile**	**Fund's own description**
Allianz - Strategic Bond	10.0%	4	
Baillie Gifford - American	10.0%	6	'The Fund will invest at least 90% in shares of US companies of any size and in any sector… The Fund is classified in the category [risk/reward of 6] above because it invests in company shares which generally provide higher rewards and higher risks than other investments such as bonds or cash.'
Baillie Gifford - High Yield Bond	7.5%	4	
BlackRock - European Absolute Alpha	10.0%	4	'The Fund aims to gain investment exposure to equity securities (e.g. shares) and equity-related securities of, or giving exposure to, companies incorporated or listed in the European Economic Area and Switzerland. In

			order to achieve its objective the Fund invests at least 70% of its total assets in derivatives, equity securities and other equity-related securities and when determined appropriate fixed income (FI) securities (such as bonds), money-market instruments (MMIs), deposits and cash.’
Fidelity - Asia Pacific Opportunities	5.0%	5	‘The fund will invest at least 70% in companies in the Asia Pacific region (excluding Japan). This region includes countries considered to be emerging markets as determined by the Investment Manager at its sole discretion. Emerging markets are countries progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.’
Invesco - Corporate Bond	10.0%	3	
Jupiter - European	5.0%	6	‘At least 70% of the Fund is invested in shares of companies that are based in Europe (excluding the UK). Up to 30% of the Fund may be invested in other assets, including shares of companies based anywhere in the world and other closed or open-ended funds (including funds managed by Jupiter and its associates), as well as cash and near cash. Up to 30% of the Fund may be invested in other assets, including shares of companies based anywhere in the world and other closed or open-ended funds…’
Jupiter - Strategic Bond	7.5%	4	
Liontrust - Special Situations	15.0%	5	‘The Fund will typically invest 90% (minimum 80%) of its assets in equities or equity related derivatives but may also invest in collective investment schemes (up to 10% of Fund assets), corporate debt securities, other transferable securities, money market instruments, warrants, cash and deposits…The Fund may invest in companies listed on the Alternative Investment Market (AIM) which is primarily for emerging or smaller companies.’
Royal London - Corporate Bond	7.5%	4	
Schroder - Sterling Corporate Bond	7.5%	4	

Vanguard - UK Government Bond	5.0%	4	

For a cautious investor I would expect to see exposure to both corporate and Government bonds but the above makes clear that out of the 12 funds held within Willson Grange's Cautious Portfolio only one had a fund risk categorisation of three – the same as Mrs T. Seven funds had a risk/reward rating of four, two funds had a risk/rating of five and two of six.

As I have said above, I accept that an individual's and a fund's risk ratings will no doubt be different but looking at the funds' own descriptions I'm satisfied that 45% of Mrs T's portfolio was invested into higher than cautious risk and much higher than medium risk in some cases. I think the portfolio exposed Mrs T to an unnecessarily high a risk than she was prepared to take bearing in mind her investment objectives.

However, even if I am wrong about the fund risk/reward rating and Mrs T's own, its clear Mrs T was looking for a better return than she was receiving on her cash-based investment – 0.5% at the time – so I don't think Mrs T was looking for substantial growth. I accept that WG had foreseen for a cautious investor there was likely be 10% high risk/return investments.

But I'm not convinced that with Mrs T's lack of investment experience she would have understood the implications of that or whether that exposure to high risk would have been right for her. It follows I don't think exposure to the Asia, emerging markets or shares listed on the Alternative Investment Market ('AIM'), as examples, was necessary for Mrs T to have achieved the return she was looking for and identified 'needs and goals'.

I don't think is unreasonable for me to conclude that as Mrs T was a novice investor with limited experience, she was seeking advice from WG because she didn't have the knowledge or experience to make such an investment decision unaided. I don't think she would have understood the various assets the fund was exposed to and the risk implicit in those assets. So, WG needs to demonstrate that it gave suitable advice considering Mrs T's circumstances, understanding and knowledge after ascertaining her attitude to risk.

And I'm not persuaded that WG has been able to demonstrate that. Mrs T was 'Unhappy with returns on cash ISAs + other deposits. Wish to 'test the market' + invest some funds for greater potential growth.' And I don't agree that WG met Mrs T's identified 'needs and goals' in giving its recommendation to invest 16% of her investable funds into the Willson Grange Cautious Portfolio. I think the investment recommended exposed Mrs T to a level of risk that I don't consider it was necessary for her to have taken to have achieved her investment objectives.

Taking all the above into consideration, and in the individual circumstances of this complaint, I don't find that the advice given to Mrs T was suitable for her bearing in mind her personal and financial circumstances, her attitude to risk, her investment requirements and 'needs and goals'. It follows that I uphold Mrs T's complaint.

In bringing her complaint, Mrs T has raised other complaint points and the issues about the charges was addressed by the investigator. He explained selling of investments to cover fees wasn't unusual and how the charges and fees were explained to Mrs T at the outset as well as when the fund switches were made. In response to the investigator, Mrs T accepted what he said so I won't revisit this complaint point. Also, I am upholding the complaint in full, so Mrs T will be put in the position she would likely have been but for the advice she received.

Putting things right

In assessing what would be fair compensation, I consider that my aim should be to put Mrs T as close to the position she would probably now be in if she had not been given unsuitable advice.

I take the view that Mrs T would have invested differently. It is not possible to say *precisely* what she would have done differently. But I am satisfied that what I have set out below is fair and reasonable given Mrs T's circumstances and objectives when she invested.

What must WG do?

To compensate Mrs T fairly, WG must:

- Compare the performance of Mrs T's investment with that of the benchmark shown below and pay the difference between the *fair value* and the *actual value* of the investments. If the *actual value* is greater than the *fair value*, no compensation is payable.

- WG should also add any interest set out below to the compensation payable.

Income tax may be payable on any interest awarded.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
Willson Grange Cautious Portfolio	No longer in force	For half the investment: FTSE UK Private Investors Income Total Return Index; for the other half: average rate from fixed rate bonds	Date of investment	Date ceased to be held	8% simple per year on any loss from the end date to the date of settlement

Actual value

This means the actual amount paid from the investment at the end date.

Fair value

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

To arrive at the *fair value* when using the fixed rate bonds as the benchmark, WG should use the monthly average rate for one-year fixed-rate bonds as published by the Bank of England. The rate for each month is that shown as at the end of the previous month. Those rates should be applied to the investment on an annually compounded basis.

Why is this remedy suitable?

I have decided on this method of compensation because:

- Mrs T wanted Capital growth with a small risk to her capital.

- The average rate for the fixed rate bonds would be a fair measure for someone who wanted to achieve a reasonable return without risk to her capital.

- The FTSE UK Private Investors Income ***Total Return*** index (prior to 1 March 2017, the FTSE WMA Stock Market Income total return index) is a mix of diversified indices representing different asset classes, mainly UK equities and government bonds. It would be a fair measure for someone who was prepared to take some risk to get a higher return.

- I consider that Mrs T's risk profile was in between, in the sense that she was prepared to take a small level of risk to attain her investment objectives. So, the 50/50 combination would reasonably put Mrs T into that position. It does not mean that Mrs T would have invested 50% of her money in a fixed rate bond and 50% in some kind of index tracker fund. Rather, I consider this a reasonable compromise that broadly reflects the sort of return Mrs T could have obtained from investments suited to her objective and risk attitude.

My final decision

For the reasons given, I uphold the complaint. My decision is that Willson Grange Limited should pay the amount calculated as set out above.

Willson Grange Limited should provide details of its calculation to Mrs T in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs T to accept or reject my decision before 11 April 2025.

Catherine Langley
Ombudsman