

The complaint

Mr V complains that EGR WEALTH LIMITED (ERG), as the discretionary manager of his self-invested personal pension (SIPP), invested his funds into high risk and unregulated investments which has led to a significant financial loss. He would like to be put back into the position he would now be in had his funds been invested in line with his risk profile or remained where they were previously.

What happened

In 2017 Mr V, on the recommendation of his adviser – who I understand ceased trading in 2021 – transferred two pension plans into a SIPP. The adviser, as a result of a ‘contractual arrangement’, recommended that Mr V set up an account with ERG so that it could provide a discretionary management service for Mr V’s SIPP. The adviser, having assessed Mr V’s attitude to risk (ATR) recommended 100% investment into ERG’s “flexible balanced” portfolio.

But Mr V became concerned with the fall in value of his plan so, in 2024, a professional representative complained on Mr V’s behalf about the suitability of some of the investments ERG used within the portfolio. It said they were too high a risk for his ATR and shouldn’t have been recommended.

ERG said it hadn’t provided any advice to Mr V – the recommendation to transfer was made by another advisory firm. It also said Mr V had been given adequate warnings and disclosures through its client agreement and that any complexities of the investments ought to have been explained by the adviser. It didn’t uphold Mr V’s complaint.

So Mr V brought his complaint to us where one of our investigators looked into the matter. He didn’t think ERG had done anything wrong making the following points:

- ERG wasn’t responsible for the transfer advice, so his determination was whether the investments ERG made were in line with its “flexible balanced” portfolio.
- While ERG did hold some high risk investments within the portfolio it also held medium and low risk investments too – which offset the high risk element.
- The relevant factsheet for the portfolio in question did set out that investment would be made in the main assets that Mr V has complained about. So ERG had been transparent in what it would do, and the investment manager had broadly invested according to his mandate. Mr V could have raised questions about the investments involved if he was concerned when the adviser had provided/shared the relevant fund factsheet.
- He didn’t think Mr V had been treated unfairly by ERG but accepted the portfolio hadn’t performed as well as Mr V would have liked. He noted the advice Mr V was given to transfer and invest came from another firm.

Mr V didn’t agree. His representative said that ERG had invested into three “*high risk, unregulated and speculative junk bond investments*” and these were regarded as non-standard investments by the regulator suitable only for high net worth or sophisticated

investors. As Mr V couldn't be considered as either of these type of investors those assets shouldn't have been used within his portfolio. It wasn't relevant whether Mr V received information about the assets prior to transferring as promotion of them to Mr V was in breach of the regulator's COBS rules. The representative asked for the complaint to be referred to an ombudsman – so it's been passed to me to review.

In January 2025 the value of Mr V's portfolio was noted as £83,890.

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.

And having done so I've reached the same outcome as the investigator, which I imagine will disappoint Mr V – and I have some sympathy for the losses he says he's suffered from his SIPP. But I don't think ERG has acted unfairly or unreasonably over this matter – so I'll explain my reasons.

The initial advice to transfer and the investment strategy

I've seen a copy of the SIPP application form which was completed in 2017. It noted that two of Mr V's pension plans were to be transferred as cash for around £80,000. Within the *"financial adviser details"* section, the name of the advisory firm was given. It was also noted that the adviser would receive remuneration from the SIPP provider and was assigned to issue investment instructions to the provider. So, based on this evidence it's clear that ERG didn't provide any transfer advice to Mr V, nor did it assess his ATR, or recommend an investment strategy or portfolio. The adviser was responsible for assessing the suitability of the transfer and making an investment recommendation based on an analysis of Mr V's risk profile. The result was a recommendation to transfer and invest into ERG's "flexible balanced" portfolio.

To open account with ERG a form needed to be completed. The form noted that ERG would obtain any necessary information from the financial advisor *"if box 4 was ticked"*, including details of the discretionary portfolio that had been selected.

"Box 4" noted that Mr V had read the client agreement provided by ERG and said, *"I have not received and will not receive advice from ERG as to the suitability of ERG's discretionary fund management service for me."*

The *"professional adviser declaration"* section of the form noted, *"I have carried out an assessment of the suitability of the investment service for each client in accordance with applicable requirements"*. It also said, *"I have discussed the MPS with each client and advised them based on their investment objectives and risk profile."*

I think this makes it clear that ERG had no part in the advisory process and was simply asked to manage Mr V's funds within the portfolio that the adviser selected.

So I've gone to look at ERG's responsibility here particularly in respect to Mr V's complaint that some unsuitable high risk investments were included in the portfolio which were outside of his ATR.

ERG's role in the process

ERG offers a discretionary management service (DMS). It says it had an "arrangement" with the advisory firm to offer those services to its clients on request. So in Mr V's case the adviser undertook all of the transfer analysis and administration and recommended that

Mr V's funds were managed under ERG's DMS using its flexible balanced portfolio. ERG's responsibility therefore was simply to manage the portfolio in line with the stated aims and in line with the mandate the investment manager was given. It wasn't responsible for ensuring the recommended portfolio was aligned to Mr V's ATR – that had been the responsibility of the adviser when it made the recommendation, assuming that was based on its due diligence of the portfolio and the suitability of the portfolio's composition.

ERG's client agreement set this out under the "services provided by us" section which said, *"we manage funds for clients on a discretionary basis. These may be held in a SIPP, an ISA or a general investment account. Funds are managed on your behalf in accordance with our Managed Portfolio strategy, which takes into account your level of risk assessed by your IFA and any other options which you select. We regularly review the underlying investments of our model portfolios which are designed for medium to long term investment horizons."*

It also set out the risk factors stating, *"this agreement will result in our making investments which carry an actual risk of loss. You should not expect all or any investments in a portfolio to make a profit or the same level of profit. You should discuss both your willingness to accept a particular level of risk and your ability to suffer a loss with an appropriately qualified independent financial adviser."*

You may not get all your initial investment back. There is also a risk that your investments will not achieve the expected goal or match any benchmark (for example an equity index) set. If you decide to receive regular payments from your investments or liquidate some of them for cash then the risk of not received all your initial investment back is increased. Our investments are designed to be held for the medium to long term. As some of these investments are volatile and may rise or fall rapidly due to short term movements in equity or other markets or due to exchange rates that rapidly reverse, you could crystallise losses if you chose to liquidate your portfolio.

We are managing a portfolio of investments on your behalf. You should not expect ALL these investments to make a profit. Some may make losses, and if we decide to make an investment as a hedge (that is to say we choose an investment that would be expected to rise if another fell or vice versa) then it is highly probably that either the hedged investment or the hedge will lose money."

So I think Mr V was made aware of the risks involved with ERG's DMS which also should have been discussed and agreed with the adviser. There's no evidence to suggest ERG gave any guarantees that Mr V's portfolio wouldn't lose any value.

I've then looked at the composition of the portfolio. ERG has provided a transaction document which set out the various assets and funds that were bought and sold within Mr V's portfolio over the period. I've also looked at the research that the investigator carried out around the various assets as well as ERG's input into this research, and I'm satisfied that overall, while there is investment in higher risk rated investments, there is also investment into lower risk rated funds such as cash and fixed interest.

I think this broadly represents an overall balanced portfolio, and I simply don't think there's enough evidence to demonstrate that the portfolio wasn't managed in line with its overall mandate and objectives – which were stated in the fact sheet as *"to achieve capital growth and income whilst adopting a balanced approach to the level of risk by investing in a portfolio of equities, fixed income securities and alternative assets. The manager aims to achieve capital growth and income whilst offering investors the flexibility of shorter investment time horizons by investing a significant proportion of the portfolio in liquid listed securities."*

Mr V's representative drew particular attention to three *"high risk, unregulated and speculative junk bond investments"* which it said shouldn't have been promoted to retail

clients as they were suitable only for high net worth and sophisticated investors and Mr V didn't fall into either of these categories. But looking at ERG's flexible balanced portfolio fund factsheet – which was shared with the adviser – these investments were clearly set out as being part of the overall portfolio. A description of each investment was noted which explained their aims and goals. It's clear these have the potential for higher risk and volatility within their profile, but ERG has been clear that they would be part of overall portfolio. So there's nothing to support the claim that ERG was less than transparent about them.

The factsheet also set out the percentage of the three investments that were held within the portfolio at the time of Mr V's entry which equated to a total of around 20%. I don't think it's unreasonable within an overall balanced portfolio for that level of higher risk investments to be held – the very nature of a balanced portfolio is that it will invest in some higher risk assets which are usually offset by lower risk ones.

And it should be remembered that these investments were not directly promoted to Mr V. The factsheet set out that they were part of the overall portfolio, and it was for the adviser to be aware of that and evaluate whether they were suitable for Mr V. As I said previously ERG didn't assess Mr V's ATR it simply managed its flexible balanced portfolio in line with its mandate and requirements. It was for the adviser to consider all of ERG's portfolio's – using all of the information it provided – to decide which, if any, was most suitable for Mr V.

I can understand Mr V's disappointment that his portfolio hasn't performed in the way he hoped or expected following his adviser's recommendation. But I don't think that was ERG's responsibility. We wouldn't normally uphold a complaint solely about investment under performance – as the very nature of an investment is that it can rise and fall in value – unless I consider the investment to have been an unsuitable recommendation for Mr V. But the question of suitability isn't the responsibility of ERG here as it was Mr V's adviser who assessed the suitability of his pension transfer and which investment strategy was in his best interests.

Although some high risk securities were part of the portfolio I think these were generally offset overall, and in any case they were clearly set out in the balanced portfolio fund fact sheet. So both the adviser and Mr V ought to have been aware of them and how they worked.

My final decision

For the reasons that I've given I don't uphold Mr V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 4 August 2025.

Keith Lawrence
Ombudsman