

The complaint

Mr L complains that The On-Line Partnership Limited (TOLP) failed to provide him with the ongoing advice he expected in relation to his pension plan.

What happened

In August 2021 Mr L asked TOLP to give him advice about his pensions. At that time, he had several pensions including his current workplace scheme which was a Self-Invested Personal Pension (SIPP) held with Aegon.

TOLP gathered information about Mr L's objectives, circumstances and attitude to investment risk. It determined that Mr L had a 'balanced' attitude to investment risk. TOLP went on to recommend that Mr L consolidate his existing plans into his existing Aegon SIPP and then invested in a balanced risk model portfolio – IN Partnership Balanced: Accumulation Model Portfolio. The portfolio was made up of five different funds.

Mr L paid 3% as an initial advice fee. He also agreed to pay TOLP an annual fee of 0.5% for its 'Financial planning service'.

TOLP say it had an annual review meeting with Mr L in August 2022. It didn't recommend that Mr L make any changes to his investments at that time as they still aligned with his attitude to investment risk and financial objectives.

TOLP says its investment committee met in late 2022. The committee proposed changes to be made to its balanced risk portfolio, removing one of the funds managed by Liontrust which made up 20% of the portfolio and replacing it with a fund managed by Rathbone.

Mr L met with TOLP at his next annual review meeting in August 2023. He raised concerns about the level of service he'd received.

Mr L complained to TOLP. He said TOLP's adviser had told him from the outset that if the makeup of the balanced risk portfolio changed, the adviser would move the funds or inform Mr L of the change so that he could action a transfer. But the adviser had failed to do that, despite paying him over £300 a month. Mr L asked for a refund of the ongoing advice fees which had totalled over £7,000. Mr L said he'd had very little contact with his adviser over the two years, apart from the annual reviews. And when Mr L had asked for advice about his savings, TOLP told him that would incur further charges.

Mr L went on to say that in the first annual review he wasn't advised to make any changes despite him pointing out that the funds had performed worse than the default funds his employer had used. In the second review meeting the adviser told Mr L that he was invested in a fund TOLP no longer recommended.

In response to Mr L's complaint, TOLP said its initial recommendation had been to invest in a portfolio of five funds. And those still remained suitable at Mr L's first annual review. It went on to say in December 2022 its investment committee amended the balanced portfolio, replacing one of the existing funds. But due to the nature of Mr L's existing SIPP with Aegon,

his funds didn't change automatically and so the decision to remove the fund was added as a discussion point for Mr L's next annual review in August 2023.

TOLP said that despite the changes, Mr L's existing funds still continued to match his attitude to investment risk so there had been no need to make changes to Mr L's portfolio. Nonetheless, TOLP had performed a comparison between the two funds, and Mr L's existing fund with Liontrust had outperformed the newly recommended fund over the period in question, so regardless, Mr L hadn't suffered a loss.

TOLP said Mr L had received the level of service that had been set out in its agreement with him. And any additional advice on his savings would be subject to additional fees. So, it didn't uphold Mr L's complaint.

Mr L was unhappy with TOLP's response and so brought his complaint to our Service. Our investigator looked into things. He said Mr L had received annual reviews in line with his agreement with TOLP. However, he said TOLP ought to have communicated its change to the model portfolio to Mr L rather than waiting 8 months for his annual review.

In putting things right our Investigator was satisfied Mr L hadn't suffered a loss because his existing investment had outperformed the newly recommended one. But he recommended TOLP pay Mr L £150 for the distress and inconvenience caused.

TOLP accepted our Investigator's opinion and agreed to pay the recommended compensation.

Mr L didn't agree with our investigator. He said in the August 2023 review, the first thing the adviser did was to try to persuade him to change his contract to a discretionarily managed one. Secondly, he didn't think TOLP had provided some of the agreed annual services which included ad hoc communications regarding pertinent major market developments; an overview of costs incurred over the year and; an overview of costs projections for the next 12 months.

As Mr L didn't agree with our investigator's opinion, the complaint 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.

I appreciate this will come as a disappointment to Mr L, but I agree with our Investigators findings and his reasons for reaching them. I'll explain why.

I wasn't present at the initial meetings between Mr L and his adviser from TOLP. So, I can't say what was discussed and agreed in terms of how and when Mr L would be informed of any changes to the make up of the balance risked portfolio. So, I've considered the documentary evidence from that time.

In the suitability report which was produced following the initial meetings TOLP said,

"I am recommending that you switch out of the existing funds and Invest the three transfer payments into the new IN Partnership Balanced: Accumulation Model Portfolio.

The IN Partnership Model Portfolios are reviewed and monitored regularly by the IN

Partnership Financial Advisers Investment Committee. The portfolios are designed to offer a diversified strategy and the committee provides an additional layer of due diligence and governance of the underlying Investments, to Include ongoing amendments when these are deemed to be appropriate.”

The service agreement with TOLP which Mr L entered into for its ‘financial planning’ service described it as *‘an ongoing review service which will monitor on an annual basis, the suitability of investments and pension products we have arranged for [Mr L], based on your current circumstances.’*

While the financial planning service was described as being on an *‘annual basis’*, I think the description given of the model portfolio in the suitability report – which said it included *‘ongoing amendments’* - would have given Mr L the impression that changes made by the investment committee might have been actioned quicker than having to wait for his annual review, which in this case, was 8 months after the committee recommended changes.

In its final response letter TOLP explained that it wasn’t possible for Mr L to invest in the Balanced Model Portfolio due to the nature of Mr L’s existing SIPP, so he’d been invested in the five individual funds which made up the balanced portfolio. I think this is an important point which wasn’t clearly explained in the suitability report.

TOLP ought to have made it clear to Mr L the difference between being invested in the model portfolio and being invested *in line with* the model portfolio. Had Mr L been invested in the model portfolio, as it usually functions, I think it’s possible the changes would have happened earlier, rather than waiting for Mr L’s annual review. Which is why Mr L might have been expecting a higher level of action from TOLP when the investment committee made changes.

I therefore think TOLP made an error here and gave Mr L an expectation of a higher level of service than what he was going to get. However, I’m satisfied that TOLP’s error hasn’t caused Mr L a financial loss. I’ll explain why.

TOLP have provided recent submissions on this point. It said,

“The changes proposed to the Advisory Balanced model in the meeting were the sale of the 20% holding of the Liontrust MA Dynamic Passive Intermediate S Acc fund (due to poor performance) and replacing it with the Rathbone Strategic Income Portfolio at 20% (not the VT AJ Bell Moderately Cautious Fund as reported in error in our Final Response Letter dated 20 October 2023).

Looking at the relative performance of the two funds from 01.12.22 to 01.08.23, then we can see that the Liontrust fund actually outperformed the Rathbone fund – returning 2.51% versus 0.37% (out-performance of 2.14%) over the period as shown in the below chart. Therefore, by maintaining investment in the Liontrust fund rather than switching to the Rathbone fund [Mr L] was actually advantaged.”

TOLP also supplied a graph from a fund analytics company to evidence the figures it’s used.

I’m satisfied that on balance, the evidence presented demonstrates Mr L didn’t suffer a financial loss as a result of TOLP failing to communicate the outcome of the investment committee changes to Mr L before his August 2023 meeting during which the changes could have been made. However, as I’ve described, I think it’s likely that TOLP had set an expectation with Mr L which wasn’t met, and likely caused him upset when he worried he’d been left in a poorly performing fund. I’ll explain below what TOLP need to do to put that right.

Mr L also mentioned in his complaint that when he'd asked TOLP for further advice about his savings, he was told he'd have to pay a further fee for that advice. His adviser also confirms his recollection of that conversation.

It's common for firms to charge an initial fee for 'new' funds that are invested in potentially a new product. I don't find that practice unfair or unreasonable as it would require a fair amount for work to make a new personal recommendation. Although Mr L was paying an ongoing fee to TOLP, the terms of that fee were set out in its client agreement with Mr L and didn't include providing new advice about other products.

Finally, Mr L has recently also claimed that other parts of the agreed ongoing service were missed, including an overview of costs incurred and projected costs over the next 12 months. These weren't complaint points that Mr L made in his original complaint to TOLP, but speaks to the level of service Mr L received.

I've reviewed the document TOLP say it sent Mr L following his annual review in 2022. The document has details of the total charges Mr L had paid that year on his pension. But I can't see it specifically projected those costs over the following 12 months. However, the continuing costs were documented and Mr L signed a new client agreement, agreeing to the ongoing costs which were clearly set out.

So, while the impact of the costs wasn't projected forward, there wasn't any 'new' costs or costs that Mr L was unaware of. From both the initial advice and review document, the costs his plan was subject to were always clear.

TOLP may not have entirely met the service standard it'd agreed to in the service agreement, but I don't think the impact of that was severe. And it was something Mr L only seems to have realised following our Investigators view on his complaint. So, I've considered the impact on this element when deciding fair compensation in this complaint.

Putting things right

TOLP caused Mr L to have a level of expectation around changes to his investments which TOLP later didn't meet. This has clearly caused a level of upset and disappointment for Mr L. But the impact has been minimal as Mr L was financially better off as a result.

TOLP have also not entirely met each point of the service agreement it had with Mr L which it appears he only recently became aware of. While there was some detail missing in his annual review, I don't think it would have made a material difference to how Mr L acted as he was broadly already aware of the missing information. So, the impact is minimal.

Considering this complaint in its entirety and the impact it's had; I'm satisfied £150 accurately reflects the level of upset and inconvenience TOLP caused.

My final decision

My final decision is The On-Line Partnership Limited must pay Mr L £150 for the distress and inconvenience it caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 24 April 2025.

Timothy Wilkes
Ombudsman