

## **The complaint**

Mrs Y complains about the administration of her stocks and shares Individual Savings Account (ISA) by Invesco Fund Managers Limited (Invesco).

She complains that commission was paid from funds invested within her ISA to a third-party firm. Mrs Y says she wasn't informed by Invesco that she was paying this commission.

## **What happened**

Mrs Y took out a stocks and shares ISA in 2010 which was invested in two funds: the Invesco Perpetual High Income Fund, and the Invesco Perpetual Distribution Fund.

A financial adviser from another firm, which I will refer to as firm A, was involved in that application and it was noted on the application form that financial advice had been provided to Mrs Y.

Mrs Y's funds were invested using a standard class shareholding which meant that renewal commission was paid to the financial adviser who advised Mrs Y. That commission was taken from the annual management charge (AMC) paid on the funds.

In August 2024 Invesco changed Mrs Y's share class to the "no trail" share class in the same fund. So, she paid a lower ongoing charge on her holdings.

Invesco wrote to Mrs Y to inform her of the change and the reasons behind it. It explained that because of regulatory updates it had carried out an assessment of the different share classes it offered, including the ones Mrs Y was invested in, to consider whether it could be satisfied that holders of those shares were being treated fairly when considering the commission, they were paying from the AMC on their funds. Invesco had concluded that it couldn't ascertain whether holders of the standard share class, where a servicing agent/financial adviser was linked to the account, were being treated fairly because it couldn't ascertain what service was being provided to those shareholders.

Mrs Y had a servicing agent/financial adviser (Firm A) recorded on her account who received renewal commission from her investments. Invesco changed her share class to no-trail so Firm A would no longer receive that commission and Mrs Y's ongoing charge would be reduced.

Mrs Y complained to Invesco in October 2024 and said she had not been informed that she was paying renewal commission to an adviser who she said was not providing her with a service.

Invesco didn't uphold her complaint. It said when Mrs Y took out her ISA account, applications for retail clients had to be made via an intermediary and her application form recorded that she had a financial adviser.

Invesco said it had carried out a Financial Conduct Authority (FCA) register search which showed the original firm had ceased trading and her adviser had joined Firm A, indicating

that they had transferred clients to that firm and so Firm A received the renewal commission of 0.5% paid from the Annual Management Charge (AMC) from her investments.

Invesco said that following regulatory updates, it had decided to stop the payment of renewal commission to the servicing agents appointed by private investors on their accounts because it was unable to ascertain and evidence what service the client was receiving for the commission payments it forwarded to those financial advisors. It therefore converted Mrs Y's investments to the no-trail share class equivalents in August 2024.

Invesco sent some policy information to Mrs Y and noted that the regular account statements issued to her confirmed that a financial adviser was linked to her ISA.

Invesco also said that if Mrs Y wanted to remove the agent from her account, she would need to give that instruction.

Following an instruction from Mrs Y, Firm A was removed from Mrs Y's ISA in November 2024.

Mrs Y didn't agree with Invesco and referred her complaint to our service. She has a representative acting on her behalf.

Our investigator considered Mrs Y's complaint but didn't think it should be upheld. He said that Mrs Y's account was opened in 2010 when the rules in relation to how advisers could be paid for advice were different to the current rules.

He said before 2012 financial advisers were able to charge fund-based renewal commission which was paid directly from the provider as an ongoing payment and the financial adviser was not obliged to provide an ongoing service.

The investigator noted the rules changed in December 2012, but any investment sold before this point, as was the case with Mrs Y, kept the same arrangements as agreed when the product started.

The investigator noted Mrs Y had indicated she was not aware that a financial adviser was linked to her ISA investment. However, he said it was clear from her application that she used an adviser to take out the ISA. He also noted that the company who had provided financial advice was shown on the statements sent to Mrs Y, albeit the adviser had transferred business from his original firm to that firm. Overall, he felt that it was reasonable to expect Mrs Y to have been aware that a financial adviser was linked to her ISA.

The investigator considered Mrs Y's representation that Invesco didn't make her aware she was paying fund-based renewal commission. He said her adviser would have made her aware of this and she would have received an illustration which confirmed the charges she was going to pay. So, he didn't think Invesco was required to send separate confirmation that fund-based renewal commission was being paid, as it was something agreed between Mrs Y and her financial adviser.

The investigator noted that the standard class, which facilitated the payment of fund-based commissions, was selected on the ISA application. So, he considered that Invesco simply processed the instruction submitted by Mrs Y's financial adviser on her behalf. He didn't consider therefore that Invesco had treated Mrs Y unfairly.

Mrs Y didn't agree and in summary her representative said that the documents she had

received from Invesco hadn't advised of an ongoing fee to a financial advisor. Her representative said it was unfair that Mrs Y had paid a charge for a service that hadn't been provided.

As no agreement could be reached Mrs Y's complaint was referred to me for review.

### **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've considered the evidence and arguments on this complaint to determine what I think, it is more likely than not, happened here.

To recap, Mrs Y is unhappy that she has been paying renewal commission to a firm who she says hasn't provided her with any service.

I think it is important to clarify the different roles here, this complaint is brought against the provider Invesco, not the firm who received the renewal commission. I am *only* considering therefore whether Invesco acted correctly and fairly, and not the actions of the advisor or firm who received the commission.

Invesco didn't give Mrs Y advice to take out this investment, it is the provider and administrator of her stocks and shares ISA. It receives an annual management charge (AMC) to cover the administrative costs of operating her investments, which is deducted from the funds Mrs Y has invested in.

Invesco has explained that the AMCs were fund specific and were disclosed to investors through the investor information documents, which at the time Mrs Y took out her investment was the Simplified Prospectus, prior to them making their investment decision.

Invesco has said the renewal commission of 0.5% was paid from the AMC of Invesco owned funds on the standard share class. It offered standard and no-trail share classes with the AMC on the no-trail class being lower. However, it noted that Mrs Y had selected the standard class, which paid trail commission, on her ISA application form.

Before August 2024, when her share class was changed, Invesco paid renewal commission as per the setup of the investments detailed in the application form (albeit the financial adviser had moved firms, and it appears from the information provided to Invesco had transferred their clients).

The second thing to clarify is that when this investment was taken out, in 2010, it was not unusual for advisers to be remunerated in this way – by being paid for their advice to invest via ongoing commission or renewal commission from the product provider to the adviser.

This changed when the Retail Distribution Review (RDR) came into force in 2012. Advisers were no longer able to be paid through commission from the provider. They had to be paid by way of fees; either paid in cash or taken from the investment as a percentage reduction.

However, as I have said, Mrs Y's investment was taken out before the RDR came into force and the COBS (Conduct of Business Sourcebook) Rules provides an exception for investments taken out before December 2012, so that renewal commission can continue to be paid to firms in that instance.

So, I don't think Invesco acted incorrectly in continuing to pay the renewal commission to Firm A from the AMC, providing that this was in accordance with how the investment was initially set up.

I also note that as the provider, Invesco could only act on the information it received, whether that be at set up or during the course of the investment.

### Set up

I have to consider whether Invesco set up Mrs Y's investment correctly – namely whether the correct share class was used.

When Mrs Y's investment was taken out, it was set up with the standard share class in each fund which meant that Mrs Y's adviser would automatically receive renewal commission. Invesco has explained that Firm A was authorised as servicing agents on Mrs Y's account and therefore eligible to receive that renewal commission.

The application form completed by Mrs Y indicated she had an adviser who had provided her with advice and that adviser's details were recorded on the form. In addition, there was no indication on the form that the "no trail" share class had been selected. Where financial advice had been provided with the adviser's details recorded and there wasn't a contrary indication, the default position was the standard share class was used.

I also note that the adviser involved provided verification of Mrs Y's identification to Invesco which further supports the conclusion that she received advice, and her adviser was involved in the setting up of her investment.

So, I am satisfied it is more likely than not that Invesco set up the ISA following the instructions given by Mrs Y.

I note that Mrs Y has referred to telephone calls made to Invesco over many years where she indicated there shouldn't be an adviser on her policies. We asked for some further detail about the content of those calls and when they took place, but Mrs Y wasn't able to be more specific about the timings and said: *"Some of the conversations were many years ago focused around me managing my own policy."*

So, I am unable therefore to take that point any further. I don't think I can reasonably conclude therefore, that it is more likely than not, that Mrs Y gave Invesco a valid instruction to remove the adviser at an earlier date. And so, I consider that the investment continued as per the original instruction provided to Invesco.

### Role of provider and information provided when investment was taken out.

As I have said, Invesco as the provider, had to set up Mrs Y's ISA correctly, following the instructions it was given by Mrs Y (and by any adviser acting on her behalf.) It also had to provide product information to Mrs Y that was clear, fair and not misleading.

Where advice was provided, the adviser had a responsibility to advise Mrs Y about the suitability and key features of the investment it was recommending to her and to inform Mrs Y about the relevant charges.

Mrs Y says she wasn't informed by Invesco (or her adviser) that her adviser would receive renewal commission from her investment. As I have said, it was an adviser's responsibility,

as part of the advice process, to inform Mrs Y about the key features of the investment including the charges. It was Invesco's responsibility to ensure the product information it provided outlined the applicable charges in a clear way.

I can see that the ISA key features document from 2010 specifically referred to the advice charges and said:

*“How much will any advice cost?*

*If you wish to take the advice of a Financial Adviser, they will give you details about the cost of their advice. We pay 3% initial commission on lump sum and regular monthly investments. 1% commission will be paid on switches between our ICVC funds.*

*This is paid to authorised Financial Advisers, out of the initial (sales) charge. We also pay annual renewal commission on the value of your investments of 0.5% each year on equity funds (including the Invesco Perpetual Distribution, Monthly Income Plus, European High Income and European High Yield Funds), and 0.25% each year for other bond funds. For the Invesco Perpetual Money Fund and the cash ISA, no initial commission or renewal commission is payable.*

*Once invested, your contract note or acknowledgment letter will show the amount of commission in cash terms. The amount will depend on the size of your investment and the period over which you make monthly savings.”*

So, I am satisfied on balance that information about renewal commission was set out clearly in the product information from around the time Mrs Y took out the investment and was available on Invesco's website and in writing to Mrs Y's adviser and thereby to Mrs Y through her adviser.

I also think it more likely than not that Mrs Y would have received a contract note or acknowledgment of her investment and that would have shown the commission in cash terms. I don't think the fact that document is now no longer available, some 14-15 years later, means it wasn't provided at the relevant time.

I also note that Invesco's Simplified Prospectus from the time set out the different funds and the applicable charges and indicated that renewal commission was paid on the funds Mrs Y invested in. I note the application form signed by Mrs Y, referred to this document, so I consider that Invesco had highlighted to Mrs Y and her adviser where relevant information about its products was available.

#### Information provided to Mrs Y after the investment was taken out.

Once Mrs Y had taken out the investment, Invesco had to provide information to her in line with its role as the administrator of that investment – for instance information about its value and any changes to her investment.

Mrs Y was provided with biannual statements setting out the number of units, unit price and value of her investment including the changes in value since the last statement. I note the biannual statements Invesco sent to Mrs Y noted the name of the servicing agent on her investment, so I think that was a clear indication that a financial adviser was linked to her account.

I can also see that the statements issued in the last few years have included a specific reference to where further detailed information about costs can be found.

On the second page of the statement, under the title "Important information" it says:

*"For a full breakdown on the charges that apply to each share class of each of our funds, please refer to our ICVC Costs and Charges document."*

This document is available on Invesco's website and gives information about costs. It gives information about the ongoing charge and says:

*"Ongoing Charge (Fund Management Fee) The Ongoing Charge for our funds covers the majority of the operating costs of the fund incurred over a year including, but not limited to, fees paid for investment management and administration, custodian fees, depositary fees and audit and legal fees. For (Acc) and (Inc) shares only, the Ongoing Charge also includes payments to financial advisers for non-advised investments (i.e. where a personal recommendation has not been made) made on or after 31 December 2012 and include payments to financial advisers (whether advised or non-advised) for investments made prior to 31 December 2012. For all our other share classes (e.g. (No Trail) (Acc), (No Trail) (Inc) etc.), the Ongoing Charge excludes payments to your financial adviser and/or any other firm through which you invest: you pay for their services directly. For our funds, the Ongoing Charge is charged at a fixed annual rate, as shown in the table. It is calculated daily as a percentage of the previous business day's net asset value of the fund and is deducted from the net asset value of the fund each day. This means the charge is reflected in the fund's share price."*

So, I think the information provided by Invesco about costs was placed prominently in the documentation it sent to Mrs Y, and I think it would reasonably have allowed Mrs Y to ascertain what costs she was paying including the renewal commission. And if she wasn't sure, having looked at those documents, she could have asked for further clarification from Invesco.

So, while I note the points made on Mrs Y's behalf about the transparency of the information provided about costs, I think Invesco clearly signposted where the information was available and that information which referred to renewal commission being paid on investments taken out before 2012, was set out in a clear way. So, overall, I don't think Invesco failed to give Mrs Y clear information about the costs she incurred or that it treated her unfairly.

#### Change of share class

As I have said, I am satisfied on balance that Invesco had to set up the investment in line with the instructions it received and as it didn't receive any instruction to change the share class, it remained as it was set up, namely the standard class.

Invesco recently reviewed the products it was providing to its customers in light of regulatory updates. It concluded that it couldn't be certain that customers such as Mrs Y, were being treated fairly when considering the commission being paid from the AMC on their funds, as it couldn't verify what service was being provided. So, it concluded it should change their share class from standard to no-trail resulting in lower ongoing charges.

I think Invesco has provided a reasonable explanation of how it approached these changes by carrying out a proactive assessment and why these changes were implemented. I note these changes would have applied to other customers, as well as Mrs Y. I don't think the changes implemented by Invesco demonstrate that what happened before was incorrect or unfair and I have to assess Invesco's actions by reference to regulatory requirements in

place at the relevant time.

So, I don't think Invesco has acted incorrectly or treated Mrs Y unfairly here. I think it changed the class and informed her of the reasons. I also note that when Mrs Y gave instructions to remove the adviser from her account, Invesco carried out those instructions promptly.

### **My final decision**

My final decision is that I don't uphold Mrs Y's complaint against Invesco Fund Managers Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs Y to accept or reject my decision before 23 October 2025.

Julia Chittenden  
**Ombudsman**