

The complaint

Mr S complains that investments made by EFG Private Bank Limited trading as EFG Harris Allday (“EFG”) in his SIPP were too high risk and incompatible with his risk profile. He believes EFG failed to act with appropriate due care and reduce the portfolio’s risk in line with updated investment mandates which resulted in him suffering a significant financial loss.

What happened

The background to this complaint can be summarised as follows:

- Mr S held an investment portfolio with the underlying funds managed by Barclays. In 2016, his Independent Financial Adviser (“IFA”) recommended transferring approximately 50% of his investment portfolio to EFG’s discretionary management service. The aim was to diversify risk, as the remaining portion – still managed by Barclays – was heavily concentrated in equities.
- From June 2016 to January 2022, EFG managed Mr S’s SIPP portfolio under an ‘Unconstrained’ investment strategy, following instructions from his IFA. The strategy aimed to achieve long-term growth over a period of 10+ years and had no restrictions on asset allocation, meaning the portfolio could be fully invested in any asset class, with varying levels of concentration. EFG classified it as High Risk.
- Between 2016 and 2021, EFG received written confirmation from Mr S’s IFA on three separate occasions that the ‘Unconstrained’ strategy, including its risk level, investment objective, and time horizon, remained appropriate for Mr S.
- In January 2022, EFG informed the IFA that it would be discontinuing the ‘Unconstrained’ strategy following a business review. In response, the IFA instructed EFG to change the portfolio’s risk profile from High Risk to Medium-High Risk. EFG then wrote to Mr S to confirm the change, noting that – based on the portfolio’s current asset allocation – no immediate adjustments were necessary to align with a Medium-High Risk mandate.
- In November 2022, the relationship between Mr S and the IFA ended. From that point onward, EFG assumed full responsibility for assessing the ongoing suitability of the SIPP portfolio.
- In January 2023, following its own assessment, EFG contacted Mr S to recommend adjusting the portfolio’s risk profile from Medium-High Risk to Medium Risk. Mr S agreed to the change, and EFG subsequently sent a formal letter confirming the update. The letter outlined the following regarding his SIPP portfolio:
 - Investment Objective: Balanced
 - Risk Profile: Medium
 - Time Horizon: 10+ years
 - Investment Restrictions: None

- In March 2023, EFG completed an Investor Profile for Mr S, who was then 71 years old and in good health. The profile related to his SIPP portfolio, valued at approximately £5.7m, and confirmed the following:
 - The investment time horizon remained 10+ years;
 - His objective was to grow the value of the SIPP on a balanced risk basis, combining capital growth and income;
 - He had no intention of accessing the SIPP for income or capital;
 - His goal was to pass on the value of the SIPP to his family in the future;
 - His risk profile was classified as Medium;
 - He had considerable capacity for loss; and
 - There were no imminent or foreseeable changes to his circumstances that might affect his investment objective
- In May 2023, after completion of the Investor Profile, EFG issued a suitability report to Mr S recommending its 'Mixed' investment strategy for his SIPP, which was then valued at approximately £5.8m. EFG stated that this strategy matched a Medium Risk profile and included exposure to cash, equities, fixed income, and potentially alternatives and commercial property. However, EFG didn't comment on whether the existing asset allocation was appropriate at that time, nor did it indicate any plans to make immediate changes to the SIPP portfolio.

This complaint

In July 2024, Mr S submitted a complaint to EFG regarding the performance of his SIPP portfolio. His concerns can be summarised as follows:

- **Risk profile mismatch:** Mr S felt the portfolio was consistently too high risk and didn't reflect his risk tolerance. Although the formal risk mandate was revised – from High Risk to Medium-High Risk in January 2022, and then to Medium Risk in January 2023 – he believed the portfolio continued to hold extremely high-risk assets. He said the expected de-risking didn't occur, despite changes in the investment mandate.
- **High-Risk asset allocation:** Mr S expressed concern about EFG's significant exposure to commercial property and alternative investments such as private equity. He considered these assets inappropriate for a Medium Risk or balanced portfolio, which he understood to be targeting a more defensive approach. He alleged poor asset selection and a failure by EFG to exercise appropriate duty of care, noting that the portfolio was overly concentrated in a small number of high-risk assets, leading to high volatility. He also questioned the frequency of trading within the same asset classes.
- **Performance decline:** Mr S highlighted that the value of his SIPP portfolio fell from £7.09m in March 2022 to £5.65m by March 2024. He pointed out that this drop occurred during a period of rising equity markets, and therefore expected the portfolio to have increased in value. He argued that had EFG properly reduced the portfolio's risk in line with the updated investment mandates, performance would have been better. He compared the SIPP portfolio performance with the Barclays-managed portion of his investments and, based on this, estimated he had suffered a financial loss of over £3.5m.

EFG's position

EFG didn't uphold Mr S's complaint. In summary, it provided the following points in its

response:

- **Responsibility of the IFA (June 2016 – November 2022):** EFG explained that during this period, Mr S's IFA was responsible for assessing the suitability of EFG's discretionary investment management service. Acting on the IFA's instructions, EFG managed Mr S's portfolio using its 'Unconstrained' strategy, which it classified as High Risk due to the absence of asset allocation limits. EFG's records indicate that the strategy was intended – by agreement with the IFA – to adopt a “defensive” approach with the portion of Mr S's wealth under EFG's management. This was designed to provide diversification, as Mr S's other investments were understood to be heavily concentrated in equities. Following an internal review, EFG decided to discontinue its 'Unconstrained' strategy in January 2022. In response, the IFA instructed EFG to adjust the portfolio's risk profile from High Risk to Medium-High Risk.
- **Role of EFG vs IFA:** EFG emphasised that it wasn't responsible for questioning the suitability of the IFA's instructions between June 2016 and November 2022. It stated that any concerns Mr S had regarding the suitability of its discretionary management service during this period should be directed to the IFA.
- **Post-IFA responsibility (from November 2022):** After the relationship with the IFA ended, EFG assumed full responsibility for assessing the ongoing suitability of Mr S's portfolio. It stated that, based on the information collected directly from Mr S, it had assessed his objectives, financial situation, and investment experience, and managed the portfolio in line with a Medium Risk mandate from January 2023 onwards. Therefore, it didn't agree with Mr S's view that the portfolio was too high risk and didn't reflect his risk tolerance.
- **Trading activity:** EFG rejected the claim of excessive trading. It said that, after objectively reviewing the volume of trades, it found no evidence of negligence or mismanagement. It also clarified that its portfolio managers aren't incentivised or remunerated based on trading activity, and that all trading decisions were made solely in accordance with the portfolio's management strategy.

Investigator's findings

Mr S referred the matter to this service. After reviewing the case, one of our investigators concluded that the complaint should not be upheld. The investigator explained the following to Mr S:

- Complaints about poor investment performance are only upheld if there's evidence of mismanagement or misleading information. Poor performance alone is not sufficient grounds for a complaint to be upheld.
- Comparing the EFG-managed portfolio with the Barclays-managed portfolio wasn't reasonable, as the two differ in strategy, risk profile, and investment composition – so it wasn't surprising they performed differently.
- The investigator found that EFG had managed the SIPP portfolio in accordance with the agreed investment mandates and risk ratings at all relevant times – both during the period when the IFA was involved and after EFG assumed full responsibility.
- The portfolio was well-diversified and managed in line with the agreed and relevant investment strategy from 2016 onwards. There was no evidence of mismanagement or any deviation from the mandates that had been set.

Follow-up and escalation

Mr S disagreed with the investigator's findings and submitted further comments. He accepted the conclusions up to January 2022 but challenged EFG's management from that point onward – particularly after the risk profile changed to Medium Risk in January 2023. He argued that EFG continued investing in high-risk assets inconsistent with a Medium Risk strategy. Mr S also questioned the inclusion of certain private equity investments and provided comparative data to highlight what he saw as underperformance. He requested a further review.

The investigator considered these additional comments but remained satisfied with their original conclusions. As no resolution was reached, the complaint has now been escalated to me for further 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 all relevant laws, regulations, regulatory rules, guidance, standards, and codes of practice, as well as what I believe represented good industry practice at the time. Where the evidence is unclear or conflicting, I've made my decision based on the balance of probabilities – that is, by weighing the available evidence and surrounding circumstances to determine what I believe is more likely to have happened.

This decision doesn't address every individual point raised by the parties. If I haven't commented on a specific issue, it's because I don't consider it to have a material impact on the outcome of this complaint. I've reviewed all the evidence carefully, including Mr S's additional comments in response to our investigator's view.

Scope of this final decision

In response to our investigator's assessment, Mr S accepted the findings up to January 2022 but disputed EFG's actions from that point onward – particularly following the change to a Medium Risk strategy in January 2023. As a result, this decision focuses on the period from January 2022 to July 2024, when this complaint was raised.

To fairly assess EFG's decisions during this time, it's important to consider the portfolio's composition as of January 2022 which was shaped by earlier events. It reflected earlier management under the 'Unconstrained' strategy (2016–2022), which led to significant holdings in alternatives and commercial property by 2021 – assets typically intended for long-term investment and often illiquid.

While the pre-2022 period won't be reviewed in detail, it provides essential context for evaluating EFG's subsequent management and ensuring a fair assessment of the complaint.

My findings

Mr S has raised concerns about specific individual assets within the SIPP portfolio, suggesting they were too high risk. However, I don't consider it appropriate to assess the suitability of an investment portfolio by examining individual holdings in isolation.

What matters is the overall risk profile of the portfolio, which is determined by the blend and weighting of different asset classes. While some individual assets may carry higher risk

when viewed in isolation, others may be lower risk in isolation – and it's the combined effect of these allocations that defines the portfolio's overall risk profile.

It wouldn't be reasonable to conclude that the portfolio was unsuitable simply because a particular asset performed poorly or was high risk on its own. Therefore, my assessment will focus on whether the portfolio, as a whole, was managed in line with the agreed risk profile at the relevant time.

To begin, I've reviewed the SIPP valuation statements provided by Mr S and compiled a summary of the portfolio's asset allocation before and after January 2022. This overview includes the applicable risk profile at each valuation date and helps illustrate how the portfolio evolved over time.

Valuation date	23 March 2021	23 March 2022	23 March 2023	23 March 2024
Party responsible for investment suitability	IFA up to November 2022		EFG from November 2022	
Applicable Risk Profile	High	Medium-High	Medium	Medium
Asset Allocation				
Fixed Interest & Equivalent	0.0%	0.0%	10.3%	25.3%
Equities	20.8%	24.1%	38.4%	40.8%
Alternatives	53.5%	36.7%	38.7%	20.7%
Commercial Property	25.0%	33.7%	11.8%	9.7%
Cash	0.7%	5.5%	0.8%	3.5%
Total	100.0%	100.0%	100.0%	100.0%
Number of individual investments held (exc cash)	17	14	22	25
Portfolio value	£6,580,748	£7,094,615	£5,718,301	£5,650,273

As previously noted, up until January 2022, EFG managed Mr S's SIPP portfolio under an 'Unconstrained' strategy, based on instructions from his IFA. This strategy had no asset allocation limits and was classified by EFG as High Risk, meaning the portfolio could be fully invested in any asset class, regardless of concentration.

This classification is reflected in the portfolio's composition as of March 2021, when nearly 80% of the SIPP value was invested in alternatives and commercial property. In my view, this level of exposure to these higher-risk asset classes with lower exposure to equities supports the portfolio's classification as High Risk at that time.

The portfolio value peaked in March 2022 at £7.09m, following the shift in risk profile from High Risk to Medium-High Risk in January 2022. Despite a further reduction in risk to a Medium Risk strategy in 2023, the portfolio value declined to £5.65m by March 2024.

My assessment of the portfolio and its evolution during this time can be summarised as follows:

- **Diversification:** The portfolio consistently held between 17 and 25 individual investments across various asset classes, indicating a satisfactory level of diversification. I have no concerns about diversification.
- **Fixed Interest & Equivalent:** Increased from 0% in 2021–2022 to 25.3% in 2024, reflecting a shift toward lower-risk assets, consistent with a shift to a Medium Risk strategy.
- **Equities:** Rose steadily from 20.8% in 2021 to 40.8% in 2024, suggesting a growing

focus on growth-oriented investments. This is consistent with an investor with a time horizon of 10+ years and who confirmed they have no intention of accessing the portfolio for capital or income.

- **Commercial Property:** Decreased from 25% in 2021 to 9.7% in 2024, indicating reduced exposure to less-liquid and higher-risk assets.
- **Alternatives:** Decreased from 53.5% in 2021 to 20.7% in 2024, indicating reduced exposure to less-liquid and higher-risk assets.

In my view, the changes in asset allocation between 2022 and 2024 – particularly the reduction in alternatives and increase in fixed interest – demonstrate a progressive de-risking of the portfolio. These adjustments appear consistent with the updated investment mandates targeting a lower level of risk from 2022 onwards. By March 2024, I consider the portfolio's overall asset allocation aligned with a Medium Risk profile and was satisfactorily diversified in line with the Investor Profile completed by EFG in March 2023.

Reducing exposure to alternatives

When EFG contacted Mr S in January 2023 to recommend adjusting the portfolio's risk profile from Medium-High Risk to Medium Risk, it was agreed that there would not be any investment restrictions in terms of specific investments or asset class.

Mr S has questioned the appropriateness of certain private equity investments within his SIPP, which was intended to follow a Medium Risk strategy agreed in January 2023. I note that EFG reduced exposure to alternative assets from 38.7% in March 2023 to 20.7% by March 2024. While this reduction took time, I don't find it surprising or unreasonable.

Selling alternative assets, including infrastructure-related investments and private equity as is relevant in Mr S's case, can be challenging in the short term due to several factors:

- **Illiquidity:** These assets aren't traded on public markets, so there's no readily available buyer or transparent pricing. Sales often require private negotiations, which can be time-consuming.
- **Long-term nature:** Such investments are designed for long-term growth, with returns expected over several years. In Mr S's case, these assets were initially selected on an 'Unconstrained' basis with the expectation he was investing for over 10 years. Selling early, as happened in this case, could result in losses.
- **Contractual restrictions:** Many private equity funds have lock-up periods or redemption restrictions, limiting the ability to exit early without penalties.
- **Valuation complexity:** These assets require detailed valuation processes, which can delay transactions as buyers conduct due diligence and agree on pricing.
- **Market conditions:** In periods of market stress or uncertainty, demand for illiquid assets tends to fall, making it harder to sell without significant discounts.

Given these factors, I don't believe it would have been appropriate – or even possible – for EFG to immediately reduce its exposure to alternatives after recommending a Medium Risk strategy in January 2023. There's no evidence that EFG was slow or negligent in doing so. On the contrary, the evidence shows a clear and deliberate effort to de-risk the portfolio throughout the year by reducing exposure to alternatives and commercial property, while

increasing allocations to fixed interest and equities – so that it aligned with a Medium Risk strategy.

Conclusion

I understand Mr S's disappointment over the decline in the value of his SIPP portfolio between 2022 and 2024. However, for the reasons explained, I'm not persuaded that EFG failed to act with appropriate care or neglected to reduce the portfolio's risk in line with the updated investment mandates.

On the contrary, the evidence indicates that EFG did act responsibly and adjusted the portfolio's overall risk level in accordance with the Medium Risk profile by March 2024. The fact that the portfolio didn't perform as well as Mr S had hoped is not, in itself, grounds to uphold the complaint. Similarly, the fact that other balanced or medium-risk portfolios may have performed differently doesn't justify upholding the complaint. In my view, the underperformance of the EFG portfolio is attributable to market conditions which affected the assets he was invested in during that period, not mismanagement.

In conclusion, there's no evidence that EFG acted outside the agreed mandate or mismanaged the portfolio. Therefore, I don't consider it fair or reasonable to require EFG to pay redress or take further action in response to this complaint.

My final decision

Based on the reasons set out above, my final decision is that I don't uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 September 2025.

Clint Penfold

Ombudsman