

## The complaint

Mrs G complains that St. James's Place Wealth Management Plc ("SJP") charged her incorrectly for investment advice and failed to administer some dividends in accordance with her wishes.

## What happened

The background to the complaint will be well known to both parties, so I'll only give some key details here.

In 2019 SJP advised Mrs G to transfer an existing portfolio of shares to it under a discretionary managed service, split between an investment account and an ISA. The transfer took place in April/May 2019, primarily in-specie but with some cash also transferred in, along with an existing ISA.

Part of the in-specie transfer was a large holding of 'cherished' shares (in a company I'll refer to as 'X'), which it was agreed would be left as was, unmanaged, with no fees applied. The balance of the transfer would then be subject to SJP's initial and ongoing charges, along with the management and fund charges.

In 2024 Mrs G became aware that this charging structure appeared not to have been adhered to. It seemed ongoing advice and management charges had been applied to the X shares and, further, the initial advice fees (IAF) applied didn't appear to be consistent with the 2% plus vat that had been detailed in the suitability letter. She also noted that the dividends generated from the X shares had been reinvested into the managed portfolio, which hadn't been her intention. Rather, she'd wanted these to be used to purchase more X shares.

She complained to SJP, and in the absence of a final response, referred the matter to this service. In the meantime, SJP's partner business, which was responsible for managing the portfolio, refunded the ongoing advice and management fees that had been misapplied to the cherished holding. It also paid Mrs G the investment returns those fees would've achieved had they remained invested.

An investigator then went on to consider Mrs G's additional concerns and concluded that SJP needed to do more to put things right.

He acknowledged the compensation already paid and agreed it was fair. In respect of the X share dividends, he initially felt that rather than having been invested in the portfolio they should instead have been paid as cash to Mrs G. But in light of further evidence, he then amended that view. He concluded they should've been paid as cash prior to May 2021 but thereafter reinvested into additional X shares. This was because he felt an email communication in May 2021 between Mrs G and the adviser had confirmed that her intention had been to purchase more X shares with the dividends. He said SJP should therefore compare Mrs G's actual position with what it would've been had the dividends been handled correctly and compensate her with any loss. He also felt SJP should pay her £350 for the distress and inconvenience caused by the various errors.

After initially questioning this approach, SJP then accepted the investigator's view regarding the dividends.

Mrs G, via her representative, continued to query to IAF. She felt the amounts recorded in subsequent statements suggested the fees had also been incorrectly applied to the cherished holding.

SJP then clarified that the IAF had not been misapplied to the cherished holding as Mrs G had feared, but rather they had been applied at an incorrect rate to the rest of the portfolio – 3.5% plus vat, rather than the 2% plus vat agreed at the outset. SJP calculated that because of this Mrs G had been overcharged by £5216.26, which it offered to refund, along with interest at 8% simple.

Following further correspondence both parties reached a point of broad agreement on the various elements of the compensation. However, the matter has nevertheless been referred to me to provide some additional clarity and a final decision on all the various aspects.

### **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.

Firstly, I'm satisfied SJP has already provided fair and reasonable compensation to Mrs G in respect of the ongoing advice fees and management fees incorrectly applied to the cherished holding of X shares. That being –

- A refund of the relevant ongoing advice fees of £6,203.92 on 26 March 2024.
- A refund of the relevant management fees of £12,407.84 on 26 March 2024.
- Compensation for the loss of investment growth on the above sums of £10,663.63 on 25 April 2024.

As such, I won't comment further on that aspect of the complaint.

In respect of the dividends generated by the X shares, as noted, SJP has accepted the redress methodology relating to this that was proposed by the investigator. So, again, there's nothing I need to add other than to confirm the methodology below.

In respect of the IAF issue, I think that over the course of what's been quite a lengthy process lines have become a little crossed. So, this is the area where my decision can hopefully be useful in adding some clarity and certainty for Mrs G.

Given the errors that occurred regarding the management and ongoing advice fees being incorrectly applied to the cherished holding, I can understand why Mrs G and her representative concluded that a similar error had been made in respect of the IAF. However, I'm satisfied that wasn't the case, and what actually happened was that the IAF were applied to the *correct* portion of the portfolio (that being everything other than the X shares) but at an *incorrect* rate of 3.5% plus vat rather than the 2% plus vat referenced in the suitability letter as a 'reduced initial advice charge'.

While I appreciate it's a little difficult to reconcile all the figures, I think the issue can be illustrated by reference to the existing ISA that was transferred into the portfolio on 18 April 2019 with a value of £21,436.77.

The correct IAF of 2% plus vat on that amount that should've been applied is £514.48. However, the IAF relating to the ISA account shown on the provider's Charges and Costs

Statement for 2019 gives a figure of £900.34, which equates to 3.5% plus vat. And more broadly speaking, the incorrect IAF actually charged, of just over £12,000, equates broadly to 3.5% plus vat of the initial value of the portfolio minus the cherished holding.

While I understand the ongoing scepticism of the figures put forward by SJP during this lengthy process, having looked closely at all the evidence I'm satisfied the problem regarding the IAF was an overcharge as explained above, rather than a double charge or a charge applied to the wrong part of the portfolio.

As has been raised during the correspondence, there is an argument that the return on these overcharged IAF should be based upon the investment growth of the portfolio rather than interest. SJP has confirmed that such a calculation would be possible but has been reluctant to carry one out in addition to the interest calculation unless expressly directed to in a decision. In light of that, Mrs G has confirmed that she's prepared to accept the refund of IAF plus interest, which I'm satisfied represents an alternative fair and reasonable way in which to compensate her for the IAF overcharging.

The final element of redress is the compensation for the distress and inconvenience caused to Mrs G by the various issues. I do appreciate this has been a frustrating, drawn-out and worrying process for Mrs G. But while I recognise she and her representative disagree, I'm nevertheless satisfied that in all the circumstances the amount recommended by the adviser represents fair and reasonable compensation.

### **Putting things right**

In respect of the cherished holding dividends SJP should -

1. Compare (a) with (b) where –

(a) the return achieved by the pre-10 May 2021 X dividends, between the date of their reinvestment into the portfolio and the date the portfolio ceased to be held.

(b) interest at 8% simple on the pre-10 May 2021 X dividends from the date they would've been paid as cash to Mrs G to the date the portfolio ceased to be held.

If (b) is greater than (a), SJP must pay the difference to Mrs G, plus interest at 8% simple from the date the portfolio ceased to be held to the date of this decision.

2. Compare (a) with (b) where –

(a) the actual value of the portfolio at the date it ceased to be held

(b) the hypothetical value of the portfolio if the X dividends had been used to purchase additional X shares, from 11 May 2021 to the date the portfolio ceased to be held.

If (b) is greater than (a) SJP must pay the difference to Mrs G, plus interest at 8% simple from the date the portfolio ceased to be held to the date of this decision.

(X dividends were paid in euros, so when calculating any loss post-May 2021 SJP will need to take account of the fact that if the dividends been left in euros to purchase more shares, there would've been no currency exchange impact.)

SJP should also -

- Refund the excess IAF, amounting to £5,216.26, plus interest at 8% simple from the date the fees were paid to the date of this decision.

- Pay Mrs G £350 for the distress and inconvenience caused by all the errors.

SJP should provide Mrs G with a breakdown of its redress calculations in a clear and comprehensible form so she can see the amount paid is in accordance with the terms of my direction.

If SJP considers that it's required by HM Revenue & Customs to deduct income tax from any interest, it should tell Mrs G how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

For the reasons given, my final decision is that I uphold the complaint and direct St. James's Place Wealth Management Plc to compensate Mrs G as set above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 13 March 2026.

James Harris  
**Ombudsman**