DRN-5657836

The complaint

Mrs P complaints that City Asset Management Plc (CAM) gave unsuitable advice in 2020 and 2021 for her to transfer her personal pensions into a SIPP to make use of its discretionary portfolio service. In particular, she says that CAM gave poor disclosure of the charges involved, which have been higher than it set out they would be – and didn't adequately consider the alternatives to a transfer.

At the time of her complaint she added that if she (and her husband) were to dismiss CAM as their adviser, they would incur significant dealing fees which they don't consider they should have to pay. (Since that point CAM has served notice to terminate the ongoing advice agreement.)

Mrs P is represented in this complaint by her husband, Mr P.

What happened

Mr and Mrs P had been clients of CAM since 2009. They are both retired and in their seventies.

In January 2020 CAM produced a suitability report about potential transfers to bring both Mr and Mrs P's pensions more closely under its management. Mr and Mrs P paid a fee of £1,200 plus VAT for this report. Ultimately Mr P decided not to proceed with CAM's recommendations for his pensions, and those don't form part of the complaint – other than by Mrs P noting that if Mr P had decided to proceed with CAM's recommendation that he use a model portfolio service, he would have been paying much lower charges than she currently is. (Mr P instead decided to transfer his pensions and then manage them himself with a different provider.)

The COVID-19 pandemic also struck shortly after this advice, meaning that Mr and Mrs P didn't decide what advice they would proceed with until about a year later. But I'll set out here what CAM's suitability report said in respect of Mrs P's circumstances and objectives:

- She was aged 71 at the time.
- She had £32,000 annual income from her state and occupational pensions, as well as around £16,000 in property rental income.
- Mr P was receiving pension income of around £90,000 per year.
- After meeting their expenditure needs, this joint income level left them with a surplus.
- They had joint cash assets of around £420,000.
- They had ISAs managed by CAM with a value of around £280,000 (Mrs P) and £300,000 (Mr P).
- Mrs P's objective was to improve the death benefits payable from her pensions as she had no need for additional income. She wanted to ensure that flexi-access drawdown was available to her beneficiaries.
- Her attitude to risk had been established from a questionnaire as 3-4 (moderate) on a scale from 1 (low) to 6 (high). After reviewing the results she chose to invest using risk profile 4 (balanced). This aimed to produce a return of 4% above the consumer price index (CPI) over a minimum five year term.

- 'Balanced' was defined as: *"you are comfortable with investments that offer some regular fluctuations in the value of your portfolio in exchange for the opportunity to achieve above average increases in your wealth. You want the spending power of your investments to increase…You are happy to consider putting some of your money into stock market investments with the aim of getting a better return. You accept that you could make a loss on the money you invest."*
- Although her husband had more interest and experience in investments than her, Mrs P also had a good understanding of investment matters.

Mrs P's two existing pensions with Standard Life had average charges of about 0.65%pa, but would only provide lump sums to beneficiaries and were limited to a choice of 12 funds. So, CAM recommended that Mrs P transfer these to a SIPP with a specialist company, Talbot & Muir and then make use of CAM's discretionary management.

CAM acknowledged that this would involve a significant increase in annual charges. There was no initial cost for the advice, and it would reduce its discretionary management fee to 0.96%pa – for both the SIPP and Mr & Mrs P's existing ISAs that weren't on the Alternative Investment Market (AIM). But when the estimate of underlying fund costs (0.89%), dealing fees (0.27%), discounted charge for the ongoing advice service (0.2%) and annual SIPP fees (£246) were taken into account, the total charges were estimated at 2.42%pa. CAM explained:

"…the Talbot & Muir SIPP and CAM bespoke account service comes at a higher cost compared to your existing Standard Life pensions, but this does provide a different level of service with access to your discretionary fund manager, along with a larger fund range including structured products and advice relating to your pension.

Whilst the ongoing cost of the recommended solution is significantly more than your current arrangement, you should note that they are offering completely different services offering discretionary. Given your objective of wanting to increase the death benefit flexibilities, plus the fact that you must put in place an alternative solution for your [Standard Life additional voluntary contribution plan] *before age 75, then I believe this extra cost is justifiable."*

The report warned that the estimate of underlying fund costs and dealing charges would vary with the investments selected. CAM also set out that dealing costs were typically higher in the first year as the initial investment purchases were made.

CAM has quoted Mr and Mrs P's response to this report as *"We are shaken by the massive increase in fees that you propose but trust that the performance of an actively managed account will justify the added costs…It is difficult for us to know whether a portfolio, actively managed by* [CAM] *will justify the additional fees, but we propose, please, to proceed with the switch of* [Mrs P]*'s pensions from Standard Life to Talbot and Muir."*

As I've said, Mr and Mrs P then decided not to proceed immediately. But in February 2021 they contacted CAM to go ahead with Mrs P's pension switch, now that the markets were improving during the pandemic. CAM issued a further suitability letter in March 2021 which reviewed its earlier advice at no further charge.

CAM explained that Mrs P's risk profile required maintaining the equivalent of 60% of global equity market risk which, if it had been employed during the global financial crisis of 2008/09, would have been expected to cause values to fall by 18% peak to trough. It added:

"As an RP4 [risk profile 4] *investor you are comfortable with a portfolio of investments that regularly fluctuate in value (+/- 9%) in exchange for the potential to achieve returns (net of portfolio costs) at, or above, 4%pa over inflation over the investment cycle. This outcome is*

important as you want the spending power of your portfolio to keep pace with inflation. To achieve this you are comfortable putting some of your wealth into market traded investments with the aim of achieving higher returns whilst accepting that you could make a loss on the money invested…"

Over several pages CAM explained what its discretionary approach would be to investing the money. In summary it said:

- It had a *"strong, multi-skilled research team who generate their own ideas, along with external research and the resources of the firms we invest with"*.
- Property and infrastructure investments would be used as a source of inflation-linked returns that weren't correlated to shares.
- Fixed income wouldn't form a high proportion of the investment given that returns at that time were low. If that position changed, the proportion allocated would increase.
- The shares content would provide *"broad exposure to some of the best-known companies globally, spread across a range of sectors, industries and regions."*
- However, the targeted return couldn't rely on investment markets always rising. 'Absolute return' and 'Defined return' investments would also be used.
- An example of the latter was a 'defensive autocall' – a structured product investment paying out a fixed return on a defined date if the underlying index (i.e. FTSE 100) was above a certain level. CAM said that from 1997-2017 this type of investment never lost money and had a 98.6% probability of achieving the promised returns. Nevertheless a capital loss remained a possible outcome.

The proposed portfolio comprised:

Fixed interest, including infrastructure and real estate finance	13%
A number of these are noted on their factsheets to lack traditional investment constraints	
UK equities	19%
Some involved hedging strategies/undervalued or special situations assets. 6% of this was in two structured products - a defensive autocall and 'Phoenix note'	
Overseas equities	34%
Alternative return	24%, comprising:
BlackRock Strategic Funds UK Emerging Companies Absolute Return Z2 – *long, synthetic long and synthetic short in equities/equity-related securities (including derivatives) giving exposure to 'emerging' companies located in developed countries.*	
Fortem Capital Alternative Growth Fund – *alternative beta strategies across the asset class spectrum for capital growth, independent of equity market cycles/macroeconomics*	
JP Morgan Global Macro Fund – *employs a flexible portfolio of global securities (traditional and non-traditional assets), using derivatives where appropriate.*	
H2O Multireturns Fund – *seeks to outperform the Bank of England SONIA index by 4% pa over any 3 year period, before fees, by investing in bonds/money market instruments issued or guaranteed by governments and companies (including non-investment grade).*	
International Public Partnerships – infrastructure investment	
HICL Infrastructure Company – infrastructure investment	
The Renewables Infrastructure Group Ltd – infrastructure investment	
UK commercial property, and real estate investment trust	6%
Cash	4%

CAM said the following about the investments:

"We have dampened risk in the portfolio with a greater use of structured products and absolute return funds that we would not expect to use in this mandate otherwise…More recently the OCF [ongoing charges figure] *costs have increased by circa* [0.1%] *as we are reluctant to passively track many equity and bond markets at this late stage in the market cycle.*

…

In line with our philosophy your portfolio is constructed in a diversified manner, the principal aim being to create stable returns. This approach can be seen in the various strategies deployed…
…
We are multi asset investors looking to capture market returns efficiently i.e. with the least risk and cost. At the beginning of the market cycle your portfolio could feature more lower cost passives that track the markets rise. However, as the cycle matures more (expensive) skill based and absolute return strategies are used to both capture returns, whilst being much more defensive. Furthermore as equity and bond markets at times may correlate i.e. move in the same direction, we utilise alternative investments such as infrastructure, property and private equity to diversify your portfolio and potentially protect on the downside.
…
There are number of areas where either our size, or our approach, allows us to construct portfolios that incorporate investment trusts, defined return products and alternatives which can add value, as they can provide returns over a wider range of market conditions than traditional assets. More recently, we have moved significant exposure from bond funds into more costly investments in alternatives such as infrastructure and absolute returns funds where we have the potential for higher returns but with low volatility…"

CAM provided a Talbot & Muir illustration for the transfer, which I think has contributed to Mrs P's concerns about charges in her complaint. This did take into account the SIPP annual fee, estimated 0.96% discretionary management charge and 0.2% ongoing advice charge, but not the underlying fund charges or dealing costs. It stated that the reduction in yield after allowing for all charges would be 1.3%pa.

Mrs P's pension transfer took place later in March 2021 and she continued contributing £3,600pa to the SIPP until she reached age 75 in 2023.

CAM says that annual review letters were sent to Mrs P in 2022, 2023 and 2024 summarising the performance of the SIPP, as well as quarterly valuation reports and annual costs and charges reports. Whilst these weren't always accompanied by a review meeting, there was ad-hoc email correspondence, principally with Mr P.

CAM has provided notes of a review meeting which took place by 'Zoom' call on 24 May 2023 and included discussion about the level of withdrawals Mr and Mrs P were making from their ISAs. Prior to the meeting they had been sent an expenditure questionnaire and they had decided to transfer an extra £100,000 to their ISAs.

It was identified at this point that CAM's agreed discount to its charges mistakenly hadn't been applied, and CAM duly agreed to recalculate the charges and provide a rebate to Mr and Mrs P's portfolios. The meeting led to an email exchange on 14 June about lowering Mr and Mrs P's risk profile to CPI+3% on both their non-AIM ISAs. This acknowledged that the risk profile for Mrs P's SIPP would remain the same.

In March 2024 Mr P had a discussion with CAM about why he hadn't received their annual cost and charges statements from April 2023. He says he had seen a document on the client website in July 2023 stating that the overall fees charged for the year to April 2022 were 2.96%.

CAM explained that the change of part of their portfolio to a lower risk mandate had necessitated it generating different statements for the different parts of the portfolio, which it had intended to do manually but this was then not completed due to human error. It apologised for this.

Mr P says that when he received the statements, they showed a total cost for 2023 of

2.51%. He considered that in itself was artificially reduced as a result of the charges rebate that he only discovered in March 2024 had been applied to the portfolios.

Mr P wrote back to CAM in March 2024 saying *"I remain thoroughly confused by the charges that apply to our respective portfolios. I have had a look on the website for a list of the applicable fees & charges and have found a couple of documents (links below), however, I am unsure as to whether either of these are applicable to our portfolio, as they refer to financial intermediaries etc."*

The ongoing dissatisfaction by Mr and Mrs P led to their complaint which also called into question the suitability of Mrs P's pension switch advice. They requested a full breakdown of the fees they had paid on their policies since inception, which they don't consider has been provided.

CAM's response to the complaint was that it had satisfied Mr and Mrs P's request by showing the total performance of the SIPP since it was opened in April 2021 on its reports. It said the performance calculation took into account the contributions made and was after all fees and charges. That annual performance was 3.31% for the pension, whereas the combined performance for the ISA portfolios was 6.19% and 12.80% for the AIM portfolios. It referred to the difficult market conditions in the period since 2020, with increasing inflation and interest rates, and particularly since the September 2022 UK budget – which it had talked through with Mr and Mrs P at several meetings.

Mr and Mrs P didn't agree with CAM. They thought the performance data it provided *"…does evidence serial underperformance relative to both their CPI benchmarks and comparable investments, across both our pensions and investments"*. They referred their complaint to our service.

CAM told us that it believed the complaint had been prompted, at least in part, by the improved disclosure it had been required to make of costs and charges following the UK's implementation of the EU Markets in Financial Instruments Directive (MiFID) II in January 2019. Even though CAM participates in the institutional share classes of funds, where typically the annual charges are around 0.75% lower, disclosure of all the underlying costs of investing in a fund has been improved. Mrs P was now seeing the costs of the funds its discretionary manager included in her portfolio with more transparency than if she had, say, invested in shares on the stock exchange herself (where disclosure of costs was poor). CAM said this was an area still being looked at by the regulator, as it has become confusing for both firms and their clients.

One of our Investigators confirmed that he'd only be looking at the suitability of Mrs P's pension switch and the fees charged, because matters purely of investment performance weren't in his remit. He concluded that Mrs P's complaint should not be upheld because, in summary:

- The bulk of the increase in annual fees was due to CAM's advice that she use its discretionary management service.
- CAM's advice letter outlined the benefits of that service, which it considered were attractive at Mrs P's fund size (and not for the smaller holding Mr P had) – but also the disadvantages, particularly the greater cost.
- Although its advice might not have weighed up alternatives in great detail, Mrs P would have been aware from the different recommendation made to Mr P (for a cheaper model portfolio) that there were alternatives to the discretionary service.
- Had she been unhappy with the proposed charges, she could have declined CAM's recommendation (in a similar way to Mr P declining the advice on his pension).
- CAM had now rectified its error in initially not applying the agreed charges discount.

- CAM wasn't disputing that the underlying fund costs have been higher than the indicative figure of 0.89% set out in 2020. For the year ending March 2022, it was 1.19% across the portfolios, and the next year 1.04%. However, the need to source investments in challenging market conditions, as well as the impact of MiFID II, had all contributed to a departure from the initial estimates.
- Taking all of this into account, CAM had generally acted reasonably in respect of the service it had provided.
- CAM was entitled to charge exit fees if Mr and Mrs P sought to terminate the ongoing relationship, providing that they were in accordance with the terms and conditions they had agreed to when investing their pensions and ISAs.

Mr and Mrs P didn't agree with the investigator. They sent a lengthy response to this service on 24 February 2025. As my role is, wherever possible, to resolve disputes informally I'll only be providing a summary of their response here. But I have read and considered it in full.

- The Investigator has taken a different view of their complaint than other, similar complaints this service has considered.
- Mrs P was most concerned about the pension switch which is evident from the SIPP underperforming their stocks and shares ISAs. The underperformance exceeded the added costs of the SIPP and was despite the further contributions added.
- I should consider what the performance of her Standard Life pension would have been, had she not moved to the SIPP.
- Other investments of similar risk levels have demonstrated strong positive returns over the same time period. Whenever they've asked it about this CAM has only said that a discretionary managed service is different (i.e. it cannot be compared).
- Their new financial adviser has shown that portfolios of comparable risk could have achieved total returns of around 20% (in one case 30%) from April 2021 to January 2025. This is based on CAM's "Real 4" being mapped to Defaqto Risk Level 6. Her portfolio is £43,000 less than the lowest performing comparator identified.
- CAM's description of the benefits of its discretionary service was 'very generic', with insufficient detail or quantification to explain why a transfer was suitable.
- Mrs P's objective of drawdown didn't justify much greater costs. Like most people, she has multiple objectives. Drawdown was available via much cheaper routes.
- She didn't understand the Investigator's statement that *"the transfer wouldn't necessarily have led to a significant increase in the ongoing fees you would pay"* or that annual charges of 2.96% could be regarded as *"part and parcel of investing"*.
- It was unclear why the size of her pension pot should have led to a more expensive recommendation, given the charges were in fixed percentages. This seemed to be more about her exceeding the minimum fund size for discretionary management.
- It wasn't reasonable to expect her to identify that there was a better alternative, such as the cheaper model portfolio service being recommended to Mr P. The onus was on CAM to provide suitable advice, for which she had paid.
- Whilst individual charges were set out in CAM's report, the totality of all the charges was not – a table would have been clearer. The discretionary manager cost of 0.96% was easily confusable with the underlying fund cost estimated to be 0.89%.
- The latter was omitted from the illustration – with the discretionary manager charge here misleadingly termed the fund charge. It meant that the reduction in yield figure should have brought the real growth (after inflation) on the illustration down from 2.9% to 0.48%pa, but this point is missing entirely from the recommendation letter.
- If it had been clear that the total charges would negate almost all future investment growth, she would not have accepted the recommendation.
- CAM should have proactively kept them updated where its charges had increased from those initially outlined. The transaction costs have been more than double those originally set out. There were significant delays in disclosing the past charges.
- Mr P told CAM on 1 February 2021 that *"higher fees will significantly erode returns in*

the long term". CAM replied that the SIPP fees were comparable to Mr P's suggestion of A J Bell, but didn't address the underlying investment fees.
- Ongoing contact was sporadic and CAM hadn't provided a proper costs breakdown as requested. Its initial reply contained erroneous references to a 1%+VAT charge.
- CAM's 0.2% ongoing advice charge negated its discretionary management discount. In any case, a portfolio manager hasn't visited them at home since 2019 and they paid for much of CAM's advice with further initial fees.
- Had CAM provided a coherent explanation, with appropriate reference points / benchmarking, they would not have reached this unfortunate state of affairs.
- I should also consider the possibility that other CAM clients have been overcharged. When rectifying this, CAM only informed them at the time that a rebate had been paid but not the size of the rebate.

After the Investigator's view, CAM opted to terminate its agreement with Mr and Mrs P on 6 February 2025. It gave them three months' (rather than the contractual one month) to seek an alternative adviser/investment manager. There appear to have be dealing fees payable of £20 per stock in the SIPP (plus any SIPP fees), or £25 plus £5 per stock to transfer ISAs.

As both parties will know, when the complaint was allocated to me I contacted CAM to ask some more questions about its approach to discretionary management. In particular, it wasn't clear to me that CAM had explained how the portfolio was likely to achieve its CPI+4% performance objective.

I wasn't yet sure that a split of assets of about 60% in shares and property, with the remainder made up of cash, fixed interest and alternative return funds, would be capable of consistently achieving what would in effect need to be an 8.5%pa gross return before charges. I thought that was important given the additional costs Mrs P incurred, and because the other reasons given for the transfer – to improve on the death benefit flexibility – couldn't just be accomplished in this particular SIPP.

CAM responded to this service on 5 August 2025. I won't summarise it in great detail here as both parties will be familiar with it. But essentially CAM considered it could show, with supporting evidence, that its portfolios with a CPI-based benchmark had typically met (or in the case of Mr and Mrs P's ISAs, been close to meeting) their targeted net returns over the period 2011-2020 whilst remaining within an overall balanced risk profile.

In addition, CAM highlighted that Mr and Mrs P had 8 years of experience of CAM delivering this style of discretionary managed service (at margins above CPI from 2-4%) and were fully aware of the risks, benefits and charging structure. It had managed their ISAs since 2009 (initially on a CPI+2% mandate before changing to CPI+4% in 2017) and in its view, they were already aware of the 'intrinsic value' of this service and what returns it had achieved.

The hurdle of higher overall charges in the new SIPP wasn't the specific challenge it was meeting, but rather the CPI+4% performance benchmark. Whilst at the same time addressing Mrs P's reasonable need for bespoke financial planning and more flexible death benefits. Taken together, CAM considered all of these criteria were sufficient to justify the pension switch.

CAM reiterated that Mrs P had been assessed as having a 100% capacity for loss with this portfolio, and so the focus of the advice was improving the death benefits whilst also believing that the professional management would achieve its objectives (though this could never be guaranteed). In its view, Mrs P's lack of reliance on this pension was what prompted her wish to increase the risk profile to CPI+4%. As such, it was always expected that higher volatility mid-way through the investment term (which Mrs P has experienced) could be tolerated.

Mr and Mrs P commented on CAM's response on 18 September 2025. In summary, they disputed whether Mrs P put forward a need for active professional investment management in 2020/21 and remained concerned about the lack of research into or offering of alternative options, either to this SIPP or within the SIPP. Mr P essentially had the same needs as Mrs P but was offered a cheaper solution. They also again highlighted CAM's failure to provide performance analysis in response to their requests – only when this service asked it to. And thought they had *"derived no benefits whatsoever"* from CAM's advised service.

I note Mr and Mrs P have become concerned at suggestions in CAM's response that their son was also involved in Mr and Mrs P's decision making on pension arrangements. For the avoidance of any doubt, I have not placed any reliance on CAM's comments in reaching this 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.

Suitability of the transfer advice

CAM suggested to our service on 15 July 2025 that Mrs P's original complaint didn't relate to suitability of her SIPP, or the SIPP fees specifically. It said it had only considered issues of performance, the service level and the clarity of transaction fees raised by Mrs P – and it also said these were also the only points considered by our Investigator.

As I asked the Investigator to remind CAM earlier this year, I'm satisfied that Mrs P raised the suitability issue in the complaint form and supporting documents that were forwarded to CAM last year – and for the avoidance of doubt that also included references to the SIPP fees. So, CAM has been given the opportunity to respond to these points both before and after the Investigator's view.

The Investigator's view did address the suitability of a SIPP (and its attendant fees) for Mrs P's needs and that should be apparent from my bulleted summary of his view, above. Even if the Investigator had not already done so, the Ombudsman has an inquisitorial role to look at the underlying grounds for a complaint, and these are matters I would need to take into account in order to reach a fair and reasonable outcome.

That said, I have reached similar conclusions overall to the Investigator, having considered CAM's further responses to my recent questions. We consider each complaint on its own merits and the outcomes of other complaints are likely to differ for a variety of reasons. Here, I consider CAM's answers adequately address the concerns I had about how and whether it could demonstrate that its investment proposition was likely, on reasonable assumptions, to achieve its objectives. I considered that was important because it's a key part of Mrs P's complaint that the new SIPP was more expensive than her existing arrangements, and she therefore had to be paying for a service that was worthwhile to make the advice suitable.

As both parties will be aware, I've previously referred to the FSA's 2009 thematic review report on pension switching and in particular its first conclusion, that "[consumers] *had been switched to a pension that is more expensive than their existing one(s) or a stakeholder pension (because of exit penalties and/or initial costs and ongoing costs) without good reason"*. The FSA added in 2012 that *"…where improved performance is an objective of the client, firms should clearly demonstrate why they expect improved performance to be more likely in the new investment."*

CAM's position appears to be that Mrs P wasn't seeking improved performance to the exclusion of her other objectives. It said the benefits of more professional management of her funds, ongoing financial planning (both of which would attract an ongoing cost) were also important to her – as well as greater flexibility with death benefits. Mr and Mrs P agree that they were attracted to the improved range of death benefit options under the Talbot & Muir SIPP and it appears to be common ground that this was because the SIPP fund was unlikely to be accessed to provide income in her lifetime. But they dispute that it was them driving the requirement for the superior management and advice service that came with the SIPP.

Mr and Mrs P referred me to a November 2019 advice letter about Mrs P's two Standard Life plans. This said that they were already being managed to a Real2 (CPI+2%) mandate and encouraged them to consider Real3, which would give scope for capital growth as it would have higher allocation to equities. Mr and Mrs P seem to be saying that CAM could continue to manage those plans without attracting higher costs.

I believe CAM countered that possibility in its 2020 & 2021 advice letters, however – by referring to the low range of funds available in the existing Standard Life plans. I think that's a fair point. Mrs P's pension pots had reached a size where the number of funds available was a limitation. I'm aware though that Standard Life already offered a SIPP solution which Mrs P could switch to, access more funds than available in her current pensions, and obtain superior death benefits. So the issue at the crux of this case is whether the switch to Talbot & Muir with the bolt-ons of the discretionary management and ongoing advice service was at least as suitable a recommendation in Mrs P's overall circumstances.

I agree with Mr and Mrs P's point that part of demonstrating suitability is to explain why other, cheaper, alternatives didn't (in CAM's view) meet Mrs P's needs as well. Other than comparing the proposed SIPP to Mrs P's existing plans, the advice didn't show consideration of any other alternatives. Whilst I accept this was a potential shortcoming, I don't think on balance this ultimately affected Mrs P's inclination to proceed with the proposals.

I say this partly because Mr P *was* recommended a cheaper solution than Mrs P. I think it would have benefited CAM here to draw comparisons between the two approaches in the reports on each of Mr and Mrs P's transfers, and explain why it felt the discretionary managed approach better suited Mrs P's funds. But even though it didn't do this in such terms, I don't think it was lost on them that these were two essentially very different services.

And Mr and Mrs P didn't thoughtlessly follow both recommendations. They evidently saw the potential benefits of the management service in Mrs P's case, but – as Mr P has admitted – with his pensions he was keen to see how *"a simple multi-asset fund investment with* [his provider] *would perform by comparison with the 'gold plated' CAM DFM service in* [Mrs P's] *SIPP"*. CAM has also said Mr P was keen to ensure that there was an ongoing solution in place for Mrs P in the event of his earlier death, which I note isn't a point Mr and Mrs P have countered.

Mr P's response to the 2020 advice referred to a *"massive increase in fees"* and "*It is difficult for us to know whether a portfolio, actively managed by* [CAM] *will justify the additional fees".* However, in agreeing to proceed I think it's fair to say that he and his wife had concluded they could see a benefit in getting these additional services – even if he had decided to hedge that against a much lower cost option for his own pension. I think there was enough benefit – bearing in mind the thrust of the FSA's thematic review – to justify that the switch to the discretionary managed service in the Talbot & Muir SIPP was suitable for Mrs P.

I don't think it matters that Mr and Mrs P hadn't thought a lot about – or hadn't driven the discussion towards – this type of service. They were taking advice from CAM on the most appropriate solutions to meet their needs. Given in particular the size of Mrs P's funds, the twin benefit of getting more active fund management alongside access to ongoing financial advice couldn't easily be dismissed – even if it came at extra cost.

CAM has made the point that ongoing advice services alone could often cost from 0.5% to 1%pa with some firms. Its service also included discretionary management at that total of 1% (albeit the discretionary service then attracted VAT). Mrs P was therefore getting a number of services she wasn't getting with her existing Standard Life pensions. It seems unlikely Mr and Mrs P didn't agree that those services weren't a benefit to them, having agreed to go ahead despite the significant increase in cost.

The FSA's thematic review accepted that no adviser could guarantee improved performance that was sufficient to cancel out the increase in costs – but they should be able to show that the proposed investment solution had the potential for this outperformance. Before recently writing to CAM, I wasn't sure it had done this.

The 2020 suitability report merely refers to having access to a discretionary fund manager, larger fund range including structured products, and ongoing advice – and said that these were *"completely different services"* and in any event Mrs P needed to change pension arrangements in order to benefit from improved death benefits. I don't think that, in isolation, would have demonstrated enough of a case for transferring and incurring the extra costs.

However, the further information CAM has provided shows that Mr and Mrs P's ISAs were broadly achieving their benchmark of CPI+2% (subsequently 4%) up to that point, net of charges. And I think this would have given Mr and Mrs P confidence in accepting the pension switch recommendation, in so far as they already had their own evidence of the benefits versus the cost of adding on the discretionary managed service.

Furthermore if CAM had shown at the time (which I consider would have been reasonable) that the CPI+4% mandate had been back-tested over a 10-year period, yet remained within a broadly medium risk approach, I think that would have been an attractive proposition – given that the targeted performance was net of charges. I appreciate however that these shortcomings in disclosure may have resulted from the fact that CAM expected Mr and Mrs P to have some familiarity with how the discretionary managed service worked.

Mr and Mrs P highlight that the Talbot & Muir illustration produced the following year underplayed the charges payable, and I agree. It omitted the underlying fund charges and dealing costs. They say that there should have been a table comparing the proposed SIPP with existing pensions, but there had been – in the previous year's advice report – and this did correctly give estimates of all the charges. I find it unlikely that Mr and Mrs P weren't aware of the 2.42% figure from the 2020 report, given that Mr P commented on how high this figure was by return email. I think they were also aware that as part of the deal they would also be achieving a further discount on their combined ISA management fees. I don't think it was inappropriate for CAM to offer this deal given that both the ISAs and pension were going to be managed in a similar way.

The reason why some of the charges estimates were exceeded, in addition to CAM mistakenly not applying a rebate, can be seen in the warnings given at the outset about stock selection being particularly difficult at the time Mrs P's funds were going into the market. CAM referred to needing to select more structured products and absolute return funds than would otherwise be needed at earlier stages in the market cycle, but said that future costs could be expected to come down to some degree after this.

In effect CAM's approach was already achieving gross returns that were above the middle projection rate on the Talbot & Muir illustration (and it could have done more at the time to show this). So whilst I understand Mr and Mrs P's point that the true forecast (or subsequent experience of) charges would have wiped out a lot of the growth projected on the illustration, I don't think this tells the whole story – and I think they would have had a more positive impression from how their ISAs had performed in the past.

Although Mrs P's transfer happened after the UK had implemented MiFID II, the level of disclosure of what were previously 'hidden' costs had progressively been increasing at around that time. So it meant that Mr and Mrs P were getting more information than they had been used to seeing on their ISAs in the past. For example, CAM has pointed out that it now has to include various internal costs of investment trusts within the underlying fund costs, even though those costs are already taken into account when the fund is priced (and wouldn't be costs that get disclosed when a similar investment is made directly into shares). I can understand CAM's point, insofar as I think what Mr and Mrs P see as an increase in costs causing their investments to underperform isn't the whole story.

Mr and Mrs P are also comparing Mrs P's SIPP to their ISAs as evidence of underperformance, as they're managed to the same CPI+4% target. However my understanding is that the ISAs had already been invested with CAM from earlier in the market cycle and would have continued to hold investments that CAM would have considered too risky to include in a new investment of Mrs P's funds. Hindsight now shows that the ISA investments performed better than the SIPP, but this happened in difficult market conditions that couldn't have been accurately predicted.

The CPI+4% portfolio was also intended to be held for longer than the period of just over three years that it had at the time of the complaint. Mr and Mrs P have noted that CAM's literature refers to at least a seven year term, whereas the third party Defaqto risk reports it commissions quote a five year term. Whilst I don't know why this is the case, I don't think it's necessarily inconsistent for Defaqto to 'stress test' the portfolios over an even shorter timescale, providing that is understood. The overriding point is that, particularly with a higher risk profile and after challenging market conditions, it would have been reasonable to allow the strategy a longer period to adjust and achieve returns. I'm not saying that it would have been possible to match the ISA portfolios after the poor start the pension had, and this was never guaranteed. But to the extent that performance might still have fallen short, I don't think that would have been CAM's fault.

Further comparisons Mr and Mrs P made were with Mr P's own pension, or generic portfolios their new adviser has constructed. But again, I think these are coloured by hindsight. Mr P admits that he chose to go with his provider to see if he could beat CAM's proposition using low-cost investments. It's always possible for that to happen over certain, and particularly relatively short, time periods – and the same is true for a generic portfolio that isn't actively managed. It's not clear to me whether Mr P has undertaken a similar analysis over the time his and Mrs P's ISAs were performing better (and close to achieving their benchmark).

No fund manager has a crystal ball and in effect, investment decisions that Mr P made himself and could have proven to be risky in some market conditions, turned out to his advantage. Whereas an investment strategy CAM has employed to good effect in the past suffered worse in the economic climate of 2021-3. I don't think this shows that CAM mismanaged Mrs P's investments or that it was an unsuitable recommendation to employ the discretionary management service.

I can therefore understand to some degree CAM's reluctance to indulge Mr P's requests for detailed performance analysis only a short way through the investment term – and which it thought was likely to be used to compare the SIPP with other investments managed to a different strategy. (Incidentally, this isn't the same information CAM has provided to this service – I asked for evidence of how the CPI+4% targeted return was back-tested.) I'm satisfied Mr and Mrs P received the performance statements to which they were entitled.

Finally on the suitability aspect, Mr and Mrs P say that the additional 0.2%pa they were paying for ongoing advice didn't amount to much. But as noted previously, Mrs P received annual review letters in 2022, 2023 and 2024 summarising the performance of the SIPP, as well as quarterly valuation reports and annual costs and charges reports. There was ad hoc correspondence and further meetings when necessary, and I think a videoconference isn't unreasonable in the present day. Another review was due to happen at the time of the complaint.

Overall I consider that what was provided was that envisaged in this sort of ongoing advice service – and it's not the expectation that all future advice would be free. Any further transactions typically take place with an initial charge.

The fee discount, disclosure and exit costs

It's clearly unfortunate that a key part of the initial advice – a discount that also affected the management of Mr and Mrs P's ISAs – wasn't actually applied. CAM admitted its error and agreed to repay the amount in excess to Mr and Mrs P. Their comments suggest CAM didn't proactively confirm at the time when it was making the repayment, and they only discovered in March 2024 that it had been made. Although I expect further clarification on the repayment would have been available on request, I can't see that there is an ongoing dispute that the error wasn't corrected. It isn't within my role in looking at this individual complaint to look at what errors, if any, have happened with other clients.

I haven't been persuaded that CAM's failure to send the April 2023 cost and charges statement was connected to this. CAM has explained this was due to an unrelated error to manually run a process which took into account the change in portfolio mandate. Nevertheless I can understand why these events contributed to some ill feeling at the time. What fed further into this was some of the actual charges themselves increasing from initial estimates, but I've explained above why I don't think this was CAM's fault when it had to decide on appropriate investments to manage the portfolio to the market conditions.

The information Mr and Mrs P were entitled to about the charges in their portfolios are on the costs and charges statements. I can see that there was an ongoing dissatisfaction with the quality of what has been provided, but this is what is required under the MiFID II legislation as I mentioned above. A full breakdown of the fees since inception shouldn't be necessary as a result of these statements provided on an annual basis.

I haven't seen anything to suggest that the charges weren't those reasonably incurred in the management of the portfolio which, unfortunately, hasn't achieved its expectations. CAM has additionally shown Mr and Mrs P how the portfolios have performed since the outset even though it puts the SIPP in an unfavourable light. I don't think there is anything further it needs to do here.

As our Investigator pointed out, CAM was entitled to dealing costs if Mr and Mrs P sought to terminate the ongoing relationship, providing that they were in accordance with the terms of business they had agreed to when investing their pensions and ISAs. The same applied if CAM sought to terminate the relationship, as has now happened. The costs represented work that would still need to be done whatever the cause of the disagreement.

Mr and Mrs P mention that they have now transferred their funds away from CAM's management at a cost of about £5,000 in dealing commissions. If they don't consider that this is in line with the terms of business, they are of course entitled to raise a complaint about it separately. It's not an actual event that was addressed in the complaint they'd referred to CAM already and which I can consider here.

Conclusion

At the heart of the impasse between Mr and Mrs P and CAM, leading to the termination of the relationship, seems to have been a lack of confidence or distrust in how Mrs P's SIPP was being managed. In my experience this sometimes happens (not always through anyone's direct fault) and that's why the terms of business allow for either side to terminate the agreement.

I appreciate Mr P says that this distrust would not have developed if CAM had been forthcoming with replies to all his questions, but I'm less confident about this. I think it was more likely to have always become the culmination of a decision Mr P had made to give CAM's discretionary management service a "run for its money", for want of a better phrase. I say this as it would doubtless always have been a frustrating situation for him and Mrs P to find, in those particular market conditions, that the extra fees they had paid to CAM had (in their view) seemingly brought no benefit.

I think it's also possible that in different market conditions this complaint might not have arisen. However once the relationship had irretrievably broken down it was appropriate for Mr and Mrs P and CAM to part ways. In summary I'm not persuaded that Mrs P's complaint about her SIPP can be upheld on the basis of unsuitable transfer advice, or poor disclosure of costs.

My final decision

I do not uphold this complaint and make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 28 October 2025.

Gideon Moore
Ombudsman