

The complaint

Mr and Mrs F complain that since 2018 Shipman Wealth Management Limited ('Shipman') mis-managed their investment portfolios, overcharged fees and failed to provide the services they were paying for.

What happened

Mr and Mrs F held a discretionary managed investment portfolio, within ISAs, in each of their names. These portfolios were set up in 2009 following advice Shipman gave to Mr and Mrs F, which also included provision of its discretionary management fee which included ongoing advice.

In recent years Mr and Mrs F have become dissatisfied with the service they were receiving from Shipman, causing them to complain about it. In summary in their complaint to the firm they said:

- They hadn't received the ongoing advice services they had paid for since 2018.
- Fees had been overcharged, including VAT being incorrectly charged.
- Their portfolios hadn't been properly managed, including being invested at a higher risk level than agreed, a reduction in trading frequency and poor investment decisions. All which led to significant losses being incurred.
- Shipman didn't respond to their complaint in time.

Shipman considered the points Mr and Mrs F put to it but didn't uphold their complaint. Conditional offers were made by Shipman to Mr and Mrs F during the complaints process but were revoked when Mr and Mrs F didn't agree to the terms of those offers. In answering their complaint, Shipman said:

- On fees:
 - That the ongoing advice charge encompasses both the separate financial planning and investment management services being provided.
 - It had provided annual reviews as well as mid-year reviews.
 - Mr and Mrs F declined a review in 2022 and since January 2023 had been postponed due to the complaint being made.
 - VAT was chargeable because the discretionary managed services it was providing require it.
 - Charges were deducted in line with the terms and conditions.
- On performance:
 - Markets had been volatile in recent times affecting performance.
 - Portfolio changes were made following decisions from its 'Investment Committee' with changes being made with a view to a medium term outlook.
 - The frequency of rebalancing was typical of such portfolios.
 - It maintained the portfolio was in line with suitable risk levels for Mr and Mrs F.
 - Cash levels of the portfolio were increased by selling holdings due to uncertainty of markets during the pandemic.

Mr and Mrs F remained unhappy with the outcome Shipman reached and referred their complaint to our service to consider. One of our Investigators looked into the matter and thought the complaint should be upheld in part. In communicating his reasons to the parties, he said:

- The performance complained of was due to external market factors rather than any failings in Shipman's management of it.
- The portfolio was managed and balanced in line with the mandate and risk levels Shipman had advised.
- The firm had disclosed the ongoing advice charge and given notice to Mr and Mrs F they could cancel it.
- The firm hadn't conducted review meetings in 2018 and 2022 – and that it should pay 50% of these fees and calculate any portfolio loss had those fees remained in the portfolio to compensate Mr and Mrs F.

Responding to our Investigator, Mr and Mrs F disagreed with the conclusions he reached. They continued to disagree with the outcome around the management of the portfolio, that he considered the meeting in 2023 an advice review and his thoughts that the frequency of trades was fair. They also said the issue of VAT hadn't been addressed and highlighted the improvement of performance of their portfolios since leaving Shipman's business.

Shipman also responded to disagree with our Investigator's findings. In its response it explained it didn't think it should refund fees for reviews where Mr and Mrs F refused those meetings. It also didn't agree with the proportion of redress as it argued its fee is for more than just the advice reviews. It did however agree it had saved costs and put a conditional offer to Mr and Mrs F for £1,750.

Mr and Mrs F rejected this offer and as there was no agreement the offer was revoked by the firm and the complaint passed to me to decide.

I reached some different conclusions to our Investigator, addressed some additional points that weren't previously explained and some aspects warranting some more detailed explanation. So, I issued a provisional decision to explain my conclusions and to allow the parties an opportunity to provide further evidence or submissions prior to any decision being made final.

In my provisional decision I said:

"Having done so, I'm intending to direct that the only action Shipman needs to take is to refund half of the fee it charged for its ongoing advice service in 2023. I appreciate Mr and Mrs F have strong feelings about the level and degree of service they've received from Shipman since 2018 and by no means do I intend to diminish their feelings or recollections on the matter – which I assure them I've read and considered in detail. But in reaching my decision I have to be fair to all the parties and base my decision on what I consider to be fair and reasonable in the circumstances on the balance of probabilities with the evidence I have before me. I hope my explanations provide some clarity on the matters they continue to feel aggrieved by."

Fees

When Mr and Mrs F first engaged with Shipman in 2009, it disclosed its charges in the client agreement for its discretionary managed portfolio. I've been provided with a copy signed by Mr and Mrs F to confirm their acceptance to those terms on 19 June

2009. This sets out the initial level of service and the charges involved as it was agreed at the outset. This evidence shows Mr and Mrs F agreed to Shipman's discretionary managed service, which along with an initial advice fee of 3% had an ongoing fee of 0.75% + VAT which paid for the quarterly reviews, six-monthly reports and for the costs in the discretionary management of the portfolio. This also demonstrates Shipman didn't offer a standalone ongoing advice service, it was an integral part of its discretionary management service. From reviewing this document I'm satisfied these terms are sufficiently prominent with the explanation of the service and charges set out in a clear, fair and not misleading manner.

The terms agreed to did change over time, and clause 21 in the original agreement allowed Shipman to do so. These 'terms of variation' are typical in these agreements and clause 21 explains clearly that Shipman can alter or amend the agreement. That could, as it did, mean aspects agreed to such as the level of service and charges can vary in the future, such as the fees chargeable and the frequency of reviews.

A copy of the terms from January 2018, which Mr and Mrs F agreed to through the term of variation above, shows at the time they started to become dissatisfied with Shipman had made changes to its arrangement with Mr and Mrs F. These included the frequency of these reviews which were now 'at least annually' rather than the quarterly they started out as. And that the ongoing discretionary management charge had increased to 0.80% + VAT. The updated agreement also importantly explains that this service can be cancelled at any time

Mr and Mrs F feel Shipman have incorrectly charged VAT on the services it provided them with, explaining that other firms don't. I've considered this point carefully, but I can't agree. From the reading I've undertaken, the discretionary managed services being provided would require VAT to be applied. Essentially this is because the ongoing nature of the dealing and research into managing these portfolios in this way is a provision of professional expertise, which has the effect of those activities not being exempt for VAT. This is different to say one off transactions, such as the initial advice only service Shipman also offered at the time and didn't apply VAT to. Generally speaking, such one-off interactions are VAT exempt but here with the ongoing management of the portfolio and application of professional expertise, I'm satisfied that means Shipman has fairly applied VAT to its management charge.

Looking at the reviews Mr and Mrs F had paid for spanning the years 2018 to 2022 inclusive, I'm satisfied Shipman provided the services expected in a reasonable manner. In his findings our Investigator concluded the 2018 and 2022 reviews should be refunded. However, from my independent review my intention is to say that Shipman acted fairly by charging for the reviews in those years. I'll explain why I've provisionally reached that conclusion.

2018, 2019 and 2022

The events around the review meetings in these three years have similarities in that Shipman contacted Mr and Mrs F to arrange the review meetings in March of each year. The invites for each show Shipman asked Mr and Mrs F for available dates and times to arrange a meeting for these reviews. In response to two of these invites Mr and Mrs F tell Shipman their circumstances were unchanged, had nothing of note to discuss or any change in their spending plans. Specifically in 2018 in declining the review meeting they "didn't feel the need to meet" and in 2022 asked for the review to be treated as completed without the need for a meeting. Later in 2018 Shipman offered another meeting for October 2018 which Mr and Mrs F don't appear to have responded to. In 2019 their reasons were different where they tell Shipman they were

concerned about the matters of Brexit clouding decision making and so wouldn't require a meeting, although one did go ahead later in October 2019.

Shipman sent letters to Mr and Mrs F following their decline to the 2018 and 2019 meetings. These provided a review of their investments based on the information it had about them and included information about investment performance and market commentary. These letters included a caveat that if there had been any changes to their circumstances then that may affect the advice given. Mr and Mrs F responded to the 2018 letter providing an updated risk questionnaire which they returned to Shipman noting they felt their risk level to be similar, if not the same as before.

Turning to the review period for 2019, Shipman offered a mid-year invite for October 2019, after Mr and Mrs F had declined the March 2019 meeting. The October meeting went ahead by phone and a copy of the follow up letter and updated advice documents have been provided. I'm satisfied this evidence shows Shipman met with Mr and Mrs F by phone and carried out the aspects I would expect a review to cover. The letter shows it reviewed the portfolio position, context around the markets and an analysis of Mr and Mrs F's objectives and an assessment of the continued suitability of their portfolio. The conclusion reached was Shipman recommended no changes to the mandate or use of such a portfolio and explained its reasons why.

For the 2022 period I've not seen evidence a similar review letter was sent after the email in March 2022, although there is evidence showing their risk tolerance was reassessed.

I understand Mr and Mrs F feel they hadn't received the service they paid for, but whether it's fair for Shipman to charge the ongoing fee does not solely depend on whether a review meeting took place. This is particularly so here where the charge is singular and includes the costs related to the discretionary managed portfolio arrangements Mr and Mrs F were receiving from Shipman as well as ongoing advice. Regarding the reviews, I must take into account here the emails referred to above demonstrate that Shipman offered the reviews in March of each 2018, 2019 and 2022 to Mr and Mrs F and that it was willing and able to provide them.

In my view then the reason those reviews didn't go ahead as scheduled is because Mr and Mrs F consciously declined them. I say this because their responses to Shipman's communications demonstrate they refused the offer of a reviews as they didn't feel those were needed. That is not to say that Mr and Mrs F's decision to not go ahead with those reviews was an unreasonable position for Mr and Mrs F to take, fundamentally it is their decision whether to attend a review or not. But their decision not to attend doesn't on its own require me to direct Shipman to refund them for those reviews not taking place where they chose to decline them.

In any event for 2018 and 2019, in my view, Shipman still provided most of the services Mr and Mrs F were paying for, just not the meeting itself. A review was carried out based on information Shipman had, with Mr and Mrs F being prompted to correct them if anything had changed as evidenced in the review letters set out above. It could be said the refusal of these two meetings ought to have led Shipman to consider whether the services it was providing were still suitable for Mr and Mrs F, given they had declined two in a row. But I'm not persuaded that would be the case here.

I say this because in my view the overall discretionary managed service was still suitable for them and a service they likely wanted to continue with at the time, and as prior meetings were attended indicating the overall service was useful to Mr and Mrs

F. I also think it is relevant that the reasons for declining those two consecutive reviews differed, with the second being because they wanted to see how the UK's separation from the EU developed and the impact that may have on their investment decisions, whereas the first was only because they considered their circumstances and plans the same. I also note that Shipman doesn't offer or have a separate cost for its discretionary managed service without the ongoing advice element, which in my view that isn't unreasonable to ensure that the mandate remains suitable for them. Additionally, it had been clearly set out to Mr and Mrs F the service could be cancelled – which would include both the discretionary management and ongoing advice services, as a sole service isn't available – and that hadn't been acted on by them, likely at the least because they saw value in their investments being discretionary managed.

It follows then given Shipman offered the meetings but they were consciously declined by Mr and Mrs F, I intend to say Shipman has fairly charged Mr and Mrs F for its services. It's also important to mention here the evidence does persuade me that the portfolio was managed in the discretionary manner agreed, which as mentioned is part of the fee Mr and Mrs F complain of. I understand Mr and Mrs F's feeling about the level of that service and I'll address that separately below.

2020 and 2021

Turning now to the reviews taking place in 2020 and 2021, I'm satisfied from the evidence I've seen that Shipman carried out these reviews in a fair and reasonable manner.

For 2020 and 2021, the wording in the letters sent afterwards demonstrate to me that a meeting took place in each of those years. This evidence shows in both years Mr and Mrs F were taken through a fact-find, and that Shipman advised them to maintain their investments as they were given there were no significant changes required to their strategy. It follows then I'm satisfied the evidence demonstrates those reviews went ahead and were carried out in a fair and reasonable manner. As it wouldn't be unfair for Shipman to charge the fees for that service where it was reasonably provided, I don't agree that it hasn't provided the agreed services to Mr and Mrs F.

It follows then I'm not intending to direct Shipman to refund the fees for those years

2023

The 2023 review was the last due review prior to Mr and Mrs F moving away from Shipman's service. This meeting took place in February 2023 after being postponed from its intended date in January 2023.

The parties' opinions of whether the level of service provided in 2023 amounted to a review or not differs, and some differing accounts of this meeting has been provided by the parties. Where these recollections differ, in reaching my decision I've considered what I think mostly likely happened based on the evidence provided by both parties.

In my view after considering that evidence, the overall testimony from both parties is consistent around the meeting being called primarily to introduce Mr and Mrs F to their new adviser and explain the changes which had taken place at the firm. From the testimony and other evidence provided, I think that's likely such an introductory meeting was planned but that this meeting wasn't intended to be a review. I say this

because the testimony from both sides agrees an introduction was to take place and Mr and Mrs F's reviews tended to be arranged in March to be held in April. January or February 2023 then would be earlier than expected and so isn't in line with what would usually be expected.

Considered with that is Mr and Mrs F's position that they weren't provided with any information ahead of the meeting and no matters involving their investments were discussed. Shipman on the other hand says this meeting ought to be considered a review as they provided Mr and Mrs F with a fact-find, risk questionnaire and valuation the day before the meeting. Shipman says it has evidenced this but all it has provided around this point is the fact-find from 2021 and an undated internal email to evidence some unspecified documentation being provided to the adviser ahead of this meeting.

Having reviewed the limited evidence provided, I've not seen sufficient evidence to show any advice was given in that meeting, or that it could be fairly said a reasonable review of their circumstances and investments took place.

I say this because the evidence available doesn't demonstrate it's likely any discussion took place that would amount to an assessment of the suitability of Mr and Mrs F's investments, even if that recommendation were to leave things as they were. This would be the case even if I were to accept Shipman provided the documentation it says it did as I'm not persuaded that information being sent when considered alongside the testimony provided from both sides can fairly evidence a reasonable level of review took place. The evidence provided doesn't show any consideration of Mr and Mrs F's circumstances or the suitability of their investments for them had been carried out. It may be that was intended but the testimony does indicate strain between the parties which may have prevented a review, albeit earlier than usual, going ahead if the firm intended to cover that in this meeting.

It's also relevant in my view that prior to 2023 Shipman was consistent following up reviews by sending a letter to Mr and Mrs F summarising the discussions and any advice it had. But that isn't available for 2023 and the expected mid-year review in October 2023 didn't go ahead due to the complaint and so the opportunity to provide a review then wasn't possible. Shipman then can't fairly in my view charge for those aspects of the service Mr and Mrs F had paid for. I'll set out how I intend to direct Shipman to compensate Mr and Mrs F below at the end of this decision.

Summary - Fees

It follows then I intend to say I think it's likely the February 2023 meeting wasn't intended to be the annual review, and one wasn't carried out. And if it was, it hasn't been sufficiently evidenced a reasonable review was carried out, or that the annual review that would usually be held in March or April wasn't initiated by Shipman. It follows then my intention is to say that Shipman can't fairly charge for all of the fee it charged in 2023 where it hadn't provided the annual advice review in that year.

For the remaining years, 2018 to 2022 inclusive, provisionally I'm satisfied the evidence shows Shipman fairly disclosed and applied its fees for the services it provided to Mr and Mrs F. I'm not intending then to direct Shipman to refund any of those fees.

Performance and management of the portfolios

Mr and Mrs F's portfolio was being managed on a discretionary basis. This means that Shipman will make investment decisions on behalf of Mr and Mrs F in the management of their portfolio, particularly around which assets to buy and sell. What is suitable for Shipman to buy and sell when carrying out those changes must be based on Mr and Mrs F's objectives, risk tolerance, circumstances and their knowledge and experience. Which it would know from its initial advice and developments following the annual reviews.

Mr and Mrs F concerns about the risk balance of the portfolio relate only from 2018, and I'll only consider that here.

Risk

Shipman's risk metrics have changed overtime, but Mr and Mrs F consistently fell somewhere in the middle of the levels of risk tolerance Shipman described. Having considered Mr and Mrs F's answers to those risk assessments and how Shipman tended to describe the levels they fell into. A risk questionnaire was completed in April 2018 with Mr and Mrs F's adviser. They each answered this questionnaire in a similar manner but with Mr F demonstrating an attitude to risk slightly higher than Mrs F's. But overall, the answers indicate they were willing to take some degree of risk and expose themselves to some fluctuation to be able to achieve their investment objectives. I also note that they consider their risk to be the same as before and appeared from that to be comfortable with the risks they had been taking previously.

It follows I'm satisfied Shipman's risk assessment was reasonable where that suggested they were investors looking to accept some risk in order to meet their objectives and that the value of the investment could fluctuate. Mr and Mrs F appear until 2018 been comfortable with that level of risk given the time they had been invested, and I've not seen evidence they were worried about the performance or risk they were exposed at that time. In my view the level of risk Shipman recommended to manage their portfolio against was suitable for them.

Mr and Mr F, through Shipman's advice, were both invested in the 'Balanced Growth' discretionary managed model portfolio. From the evidence available I think it's likely how this portfolio was invested was set out clearly to them. The original 2009 documents aren't available, which due to the passage of time isn't unreasonable, but those from 2012 when they invested further in their portfolios are. The suitability letter sent at that time described this portfolio to Mr and Mrs F as holding 65% in shares and 35% in fixed interest assets, such as corporate and government bonds and property. Shipman also explained here this allocation may alter depending on markets and rebalancing that may be required. The 2020 process document for Shipman's discretionary portfolio service describes the asset balance at this time to have been 70% equities with 30% fixed interest. It follows then in my view the portfolio likely fluctuated around these figures and held a higher weighting towards equities until 2020.

Having considered the portfolio make up provided to me over time, I'm satisfied it was managed in line with their risk levels. Through this Mr and Mrs F were invested across typically at least 20 different funds providing significant diversification of the risks they were exposed to, with their money being spread over a very large number of holdings within those funds. With the information available I've not been able to reconstruct the asset mix into percentages by asset type. But I don't think I need this information where from the information that is available, I think it's likely Shipman had constructed the portfolio in line within Mr and Mrs F's advised risk level.

I say this because the spread of holdings is consistent with what I'd generally expect to see and a general balance of around 60% to 70% equity holdings and 30% to 40% in traditionally lower risk assets, and the diversification across these, would be typical for someone with the attitude to risk Mr and Mrs F each had. There would be a mix of risk exposure within these – which Shipman disclosed in at least 2012 – those risks are fairly balanced across the holdings within the portfolio. I've also considered what alternatives might be available based on the 2020 process documents for its discretionary portfolio service and the portfolio offering a lower risk level than that Mr and Mrs F's were invested in wouldn't likely be suitable for them. I've reached this view because those other portfolios do have a significant step down in equity holdings, which given Mr and Mrs F's growth aims wouldn't be in line with their objectives.

It follows then I intend to say I'm satisfied on balance the level of risk was suitable, and Shipman applied that mandate suitably.

Trading frequency

I've also considered the frequency of trading within the portfolio, which is of particular concern to Mr and Mrs F. Shipman has provided me with its dealing notes, which date back to 2009 and I've also been provided with Mr and Mrs F's analysis of the trading activity. Having reviewed all of this, as well as the wider information available to me, I'm not persuaded the reduction in trading frequency or how those trades were carried out evidence Shipman were acting unfairly.

I appreciate the difference in trading levels in Mr and Mrs F's view feels like a lower level of service, that reduction in trading is clear from both Shipman's records and Mr and Mrs F's testimony. But I also have to consider that Shipman don't set out, and aren't required to, a certain amount of trading it will do on the portfolio. Their obligations are to apply Mr and Mrs F's investment mandate to its investment decisions, and to make changes when it is suitable to do so. I've considered that Mr and Mrs F's testimony is prior to 2018 the frequency of trading was much higher, and that more recently that's fallen to between two and four times a year. And I note they've said since changing provider they say the trading activity is closer to that Shipman was providing pre-2018 when the trading frequency was much higher.

It's not clear why the trading frequency reduced between 2018 and 2020 but fundamentally I'm satisfied during this time Mr and Mrs F's portfolio remained suitable for them. Frequent trading does incur additional costs, and Shipman needs to balance the need to retain suitability and the costs incurred by carrying out widespread trading, a firm could be said to be 'churning', which the FCA prohibits, if the volumes are too high. There is then a balance to strike in managing Mr and Mrs F's portfolio. While Shipman may not have been trading as actively as they were, I've not seen that caused the portfolio to become unsuitable. The portfolio overall appears to have performed well and while there were some minor losses I accept that Shipman held a more medium term view and so short term losses wouldn't reasonably mean it should swap out the loss causing investments. From reviewing its internal records on when it did make changes, these tended to be due to similar funds with a better track record or loss of confidence in existing funds or assets which. Where the portfolio had been performing during this period, I think it's likely Shipman didn't have those concerns during this time which may explain to an extent the reduced trading frequency Mr and Mrs F have seen.

I'm also satisfied how Mr and Mrs F's portfolio was to be invested, through the overall model portfolio, was discussed at Investment Committee meetings, which some

evidence of these has been provided to show that to be the case. I'm persuaded from these and the testimony provided that overall, these took place on a regular basis and that the findings of those committees were then taken in making decision how to invest, which would include decisions to make adjustments or that no action was required. Shipman then was providing management services in reviewing the ongoing suitability of these portfolios at a higher level and making changes when its Investment Committee deemed them necessary.

It isn't required in my view that for Shipman to be able to charge its discretionary management fee it needs to make a certain frequency of changes to the portfolio. Overall, provisionally I'm persuaded it was managing Mr and Mrs F's portfolio in a fair and reasonable manner to justify the fees it charged for those services, and that in the circumstances here have been applied fairly.

Cash allocation levels

The pandemic caused some Investment firms to make changes, which at times were significant, to how they invested money and what advice they would give due to the volatile and unpredictable impact it was having on the global economy. Firms responded to this in different ways and to be fair to both parties I need to consider Shipman's actions from March 2020 onwards without the benefit of hindsight.

Prior to the pandemic Mr and Mrs F's portfolios tended to have a cash amount of around 1% to 2.5%, which is generally intended to cover fees and where income may be received. Due to the risks in the global markets at that time Shipman decided to sell some holdings it thought most at risk and hold that balance as cash, around 15% of their portfolios. In response Shipman also increased the regularity of its Investment Committee meetings to monthly, copies of some of those records have been provided which are comprehensive. In my view this demonstrates it was alive to the issues the global economy was experiencing, the assets where those risks most likely may materialise and how that could happen. Its general intention was to hold this ~15% to ~20% balance as cash to prevent further loss and await the right time to re-enter the market. Around the time of the news a vaccine was likely to soon be become available, Shipman thought it would be the right time to re-enter the market. And from November 2020 following reinvested of that cash, the remaining cash returned to normal levels.

My understanding is that approach caused losses to be crystallised in Mr and Mrs F's portfolio rather than benefiting from them when future growth returned. That was a risk of Shipman's approach but at the time it was uncertain what the future would hold, and in particular how long the pandemic would impact the global markets for. It, in my view, took proportionate measures and continued to regularly monitor and evaluate events to decide when it would reinvest the cash. I think it's likely Shipman's concern at the time was that by taking no action when the pandemic started risked exposing Mr and Mrs F's portfolio to higher levels of risk than would be suitable for them, given the expected volatility in the markets. By attempting to balance that risk by encashing a portion of the portfolio, 15% to 20% of assets in the markets it thought most at risk, wasn't in my view an unreasonable decision. I say this based on what the evidence shows internally it was thinking at the time, and the wider economic concerns it reasonably had, as well as its aim to retain the risk balance of the portfolio in line with Mr and Mrs F's mandate.

In my opinion in the circumstances before me, I intend to say I'm satisfied Shipman took fair action to respond in order to maintain the portfolio suitability for Mr and Mrs F based on their mandate. Unfortunately, that approach failed to prevent losses for

Mr and Mrs F, but that alone doesn't mean Shipman unfairly managed their investments. I'm satisfied overall it acted in a fair and reasonable manner in how it managed the cash element of the portfolio.

Putting things right

In putting things right then I've considered that Shipman's 0.8% + VAT fee largely encompasses two main services where the most substantial costs to the firm lie. That being for ongoing advice which involves an adviser's time, expertise and work, and that of the overall discretionary management of the portfolio.

As I've set out above, I haven't provisionally been persuaded that the discretionary management service was unfairly carried out or charged for. I can't then fairly require Shipman to refund the full fees it charged to Mr and Mrs F in 2023, because the discretionary management, fairly in my view, took place.

I think it would be fair and reasonable then to direct Shipman to refund 50% of the fees it charged in 2023. Refunding half of the fee in this way fairly distinguishes the services provided to Mr and Mrs F, and the services not provided to them. I also consider it to be likely reflective of a typical fee that would be incurred for the provision of standalone ongoing advice as it is similar to what other providers offer. Interest for the deprivation of use should also be paid on that amount.

I've not seen evidence the 2023 review caused any distress or inconvenience to Mr and Mrs F so I'm not intending to make an additional award for that. I say that because the relationship had broken down due to matters I've not found Shipman to have fallen below its obligations for and Mr and Mrs F soon left it services after than meeting, for which that review not going ahead wasn't the primary driver.

In summary then my intention is to direct Shipman Wealth Management Ltd to:

- *Refund half the fees charged to Mr and Mrs F for 2023.*
- *Pay 8% simple interest on that amount."*

In responding to my provisional decision, Shipman accepted the conclusions I reached. Mr and Mrs F didn't and provided further comment on specific parts of my decision as to why. In summary they said:

- On the charging for ongoing advice:
 - My outcome was incompatible with the offers Shipman had made earlier, which implied it had more responsibility for what happened than I had said in my decision.
 - Shipman's incurred costs from providing its services would've been less in those years where Mr and Mrs financial planning needs didn't need to be redefined. Mr and Mrs F say on many occasions they didn't require that level of service and Shipman has benefited from that. In addition, this should've alerted Shipman to its service not being suitable for them.
 - Shipman should've reminded Mr and Mrs F more frequently they could cancel the service.
 - Shipman were in effect charging excessive fees for clients who didn't require all the services being paid for.

- On the management of their investments:
 - The costs incurred for management when only a small number of trades were being carried out was excessive.
 - There was no sign of Shipman providing regular oversight of their portfolio and taking advantage of opportunities and evading market threats.
 - The inactivity on their portfolio was extreme given the substantial period that took place over.

As both parties responded to my provisional decision, the complaint was passed back to me to decide.

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.

Having done so, I'm satisfied the conclusions reached in my provisional decision are fair and reasonable. I'd like to assure Mr and Mrs F I understand their strength of feeling around why their expectations weren't met and have carefully considered their response to my decision. I'll now explain why despite those concerns and comments I've not seen to depart from my earlier conclusions. If I haven't directly commented below on the points in Mr and Mrs F's response, it is because I'm satisfied what I said in my earlier decision sufficiently explained my reasoning.

Shipman making the offers it did to Mr and Mrs F caused them to think that it itself thought it hadn't properly provided its services to them. But that isn't always the case, firms are free to make offers, set conditions on those and revoke them where they haven't been accepted. Firms do this for a number of reasons, which can both include because it considers it did something wrong or to try to retain customers.

I can only direct Shipman to take action where I consider from the evidence available that it's likely it fell below its obligations towards Mr and Mrs F, and that caused them a detriment such as financial loss. In those circumstances I would make an award that puts them in the position, or as closely as possible, that they would've been in had what went wrong not happened.

As I set out in my provisional decision, the level of service and costs were disclosed at the outset. That being Shipman would provide a discretionary managed service and regular reviews to support that. As explained earlier, Shipman combines these services into one fee, which I considered, and still do, to be reasonable given a regular review helps to ensure the mandate the discretionary service is being applied against is, and remains, suitable.

My view around the application of these charges remains as it was in my earlier decision. That in circumstances where Shipman offered reviews for which it was ready and able to provide, and clearly communicated those invites, it could fairly charge for them. Where those invites were received but consciously declined, that wouldn't cause Shipman to have to refund the fee for those attempted reviews.

I understand the point that Shipman in practice could be saving costs by such reviews not being attended by Mr and Mrs F, but that in my mind doesn't require it to provide a refund, so long as the criteria above are met. I would also restate here that regardless of whether the reviews were attended, apart from 2023, it carried out those reviews with the information

it had and communicated them to Mr and Mrs F. It had then in my opinion provided a fair service in return for the fee charged.

On being more regularly reminded about being able to cancel the service, as explained in my earlier decision, Shipman clearly set out the cancellation of its services within its terms of business with Mr and Mrs F. Those terms were updated numerous times over the years and all those I've seen clearly explain this service was cancellable. I'm satisfied Mr and Mrs F saw these given the review letters refer the updated terms being enclosed, when relevant. I've not seen that Shipman was obligated to frequently remind Mr and Mrs F about this unless the suitability of those services comes into question, which as I explained in my earlier decision I hadn't seen to be the case. In any event where Shipman did in effect provide reminders by providing its updated terms to Mr and Mrs F, I'm satisfied it acted in a fair and reasonable manner around how it communicated that to them, and for the reasons previously explained that it remained suitable for them.

Turning now to Mr and Mrs F's further comments on the discretionary management of their investments. Understandably Mr and Mrs F will tend to judge the discretionary services being provided based on the activity they see taking place on their portfolio, which as they've explained, and I set out in my earlier decision, had become less frequent in more recent years. It is this difference in service is what has led them to consider Shipman wasn't providing fair service for what they were paying.

In practice, as the evidence provided demonstrates in my view, there is more to the management service being provided to Mr and Mrs F's portfolio that can be seen from the trading frequency alone. The evidence considered around this, which was considered in reaching my provisional decision, sets out many of the intricacies of the wider service being provided in the course of the discretionary managed service Mr and Mrs F received.

A summary of the information within those documents are that investment decisions would be based on the conclusions of the Investment Committee. This committee would meet at least monthly and more frequently when required. Between those meetings detailed research would be carried out, which included factors such as market indicators, volatility, performance, asset research analysis and review. For each prospective or owned fund there is a process for detailed screening and research across many characteristics and considerations to aid the committee in deciding what action to take. This process takes place both prior to being added to the portfolio and while invested to ensure initial and ongoing suitability. The result being that all this information is taken into account when the committee makes its investment decisions as to what and when to change on Mr and Mrs F's portfolio.

The minutes from these meetings are reflective of what its process document describes about this approach. I say this because those records reflect that approach being taken and include geographic and asset based market movement analysis and detailed commentary on various markets, locals, wider economic news, and updates on funds within the portfolio. It follows then for those reasons I was satisfied Shipman carried out this level of work when managing Mr and Mrs F's portfolio. And that in doing so I was persuaded that Shipman was carrying out a reasonable discretionary service to Mr and Mrs F.

It was also relevant in my mind that these documents also set out that Shipman had a preference to select actively managed funds. This means that those individual funds are being actively managed by their own fund manager, which would likely have the effect of Shipman needing to reduce its own level of trading. That may explain to an extent why Mr and Mrs F saw less frequent changes in their portfolio where many of them are taking place at fund level within their portfolio. They are in effect paying for Shipman's research and decision making into the selection of those funds, which often come at a higher cost than passive funds, and the ongoing monitoring that those assets selected remain suitable and

are assets they continue to see long term value in for Mr and Mrs F.

As I also mentioned in my provisional decision, Shipman were taking a longer term view which meant just because a particular asset isn't performing wouldn't require it to replace it there and then. To do so in those events would likely increase the risk of those losses being crystallised, and bearing in mind Mr and Mrs F's low-to-medium risk tolerance could lead to unsuitably reactive trading that would be inconsistent with the longer term view deemed suitable for Mr and Mrs F. And notably, when poor performance has continued for a period longer than Shipman was comfortable with, it replaced those funds as its trading records and notes demonstrate for fair and reasonable reasons.

I'm satisfied then overall that Shipman provided a reasonable discretionary service to Mr and Mrs F, despite their concerns about the reduction of trading frequency. The evidence demonstrates in my view that Shipman managed the portfolio in a fair and reasonable manner.

It follows then my overall conclusions remain the same as my provisional decision. That being apart from the 2023, which for the same reasons as my earlier decision wasn't reasonably provided, Shipman was entitled to charge for the services it provided Mr and Mrs F with.

Putting things right

As Shipman hasn't provided all the services it charged for in 2023 – specifically the review element – for the reasons given above, my direction is that Shipman Wealth Management Ltd:

- Refund half the fees charged to Mr and Mrs F for 2023.
- Pay Mr and Mrs F 8% simple interest on that amount.

My final decision

I uphold this complaint and direct Shipman Wealth Management Ltd to settle this complaint as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs F to accept or reject my decision before 27 August 2025.

Ken Roberts
Ombudsman