DRN-5752320

The complaint

Mr C complains about the suitability of investment advice provided to him by Tavistock Partners (UK) Limited trading as Abacus Associates Financial Services ("Abacus") and the cost and quality of the ongoing service provided to him.

What happened

In 2021 Mr C approached Abacus for advice on investing an inheritance he'd received. He did so along with his mother and brother, who've made similar complaints, which have been dealt with under separate references.

Following the completion of a fact find and an attitude to risk questionnaire, Mr C was categorised as a 'lower medium' investor and recommended to invest £44,000 into the Abacus 'Active Profile 5' portfolio, split across an ISA and General Investment account. The cost for this initial advice was 1% of the investment amount. He was also recommended the Abacus 'Classic' level of ongoing service at 0.75% per annum. He went ahead with both recommendations.

In early 2024 he complained to Abacus that he'd not been fully informed about the level of service he'd receive and felt it didn't provide value for money. He also said he'd not been made aware of the risk involved with the investment, which at that point had lost around 20% of its value.

Abacus didn't uphold the complaint. It said, in brief, that it was satisfied the recommendation had been in line with Mr C's agreed risk profile. It noted he'd already had some experience of investing via a stocks and shares ISA containing £1,800 spread across four higher risk funds, so he would've understood the likely volatility and no guarantees had been given in respect of performance. It also said that a portfolio aligned with a 'lower medium' risk profile should be expected to hold some higher risk investments to provide multi-asset and global coverage, to ensure diversity.

Abacus went on to say that, in respect of the charges, all initial and ongoing fees had been detailed in the fee agreement signed by Mr C, and he'd been paying a fee of 0.75% per annum to receive the 'Classic' level of service, which involved an annual summary of his investments but no automatic annual review, although there was an option for ad-hoc fee-based reviews to be provided on request. It said details regarding the Classic service had been confirmed in the Ongoing Service Proposition document provided to him.

Mr C referred his complaint to this service, where our investigator reached a different conclusion.

She accepted that the charges and service proposition had all been set out in the recommendation report provided to Mr C, so didn't think that aspect of the complaint should be upheld. But she felt that the recommended portfolio had carried too much risk, primarily because of its exposure to global investments. She felt Mr C's lack of experience and the answers provided in the attitude to risk questionnaire had indicated, particularly given the inconsistency shown, that global investments would've been too risky for him. She suggested he be compensated based on a comparison with a moderate risk benchmark.

Mr C welcomed the investigator's view. He also noted that he'd not received the Key Investor Information Documents (KIIDs) for the funds within the portfolio, as the investigator had suggested. He also reiterated his concerns about the ongoing service and its poor value – saying that he'd never heard from the adviser again following the recommendation.

Abacus responded in disagreement with the investigator's view. It said, in brief:

- It accepted that Mr C's answers in the risk profiler showed some inconsistency. But it was for that reason the answers hadn't been taken at face value and a further conversation had determined the final agreed risk profile.
- The notes identified that Mr C was a new client, so they'd covered off all the different asset classes and how these formed a balanced diversified portfolio.
- The notes also confirmed that Mr C understood volatility (and therefore possible loss).
- And the notes further confirmed that Mr C had read the risk profile definition and agreed it was appropriate. His concerns over loss were discussed so he was comfortable with the concept of loss and volatility, following the inconsistent answers within the risk questionnaire.
- The risk profile definition also covered the inclusion of overseas assets to better diversify the portfolio. Although overseas assets may be higher risk, depending on factors including the asset type and geographical split, they are commonly used within the industry to reduce risk through diversification.
- Regardless of the overseas assets, the overall portfolio asset mix was in line with the risk profile when balanced with other assets.
- In summary, the risk profile was appropriately discussed with Mr C, so he had a suitable understanding of the risk being taken.

The investigator wasn't persuaded to change her view. So, the matter was referred to me to decide.

I issued a provisional decision in which I explained why I'd reached a different conclusion, that the complaint shouldn't be upheld. I said, in part –

"*At the time of the advice Mr C was aged 22, in full-time employment, living at home with his parents, He had a car loan to service but no other liabilities and was recorded as having a monthly £492 surplus income. He held two ISAs – the stocks and shares ISA noted above and a Lifetime ISA – and held just over £51,000 on deposit, which included the inheritance.*

It seems his circumstances were such that he was in a position to invest the £44,000 and had a desire to do so. It was noted that deposit rates at the time were very low and Mr C sought growth over the medium to long term. The question is whether what was recommended to him to achieve this objective carried too much risk?

It appears the adviser carried out a fairly detailed and robust standard procedure to confirm Mr C's circumstances, objectives and attitude to risk. This was all documented and a summary provided to him in a report, explain the reasons for the recommendation.

In respect of his attitude to risk, I note the apparent inconsistencies in the answers Mr C provided. For instance, he described his level of confidence as "Not confident: I'm not very comfortable with investing" yet agreed that he would be willing to risk a percentage of his income/capital to get a good return on an investment. Further, he agreed that he would rather know that he was getting a guaranteed rate of return than be uncertain about his *investments, but then also agreed he would accept potential losses to pursue long-term investment growth.*

But these types of risk profiling tools are generally designed to take account of this type of inconsistent answering. And most importantly, it seems that collation of Mr C's answers to determine his overall score was combined with a general discussion about what the score meant in terms of the risk definitions and profiles and the concepts of volatility and diversification.

As such, in all the circumstances I think it was reasonable to categorise Mr C as a risk profile 5 'low medium' on a scale of 1 – 10 and in turn make a recommendation of the Active Profile 5 portfolio.

In respect of the make-up of that portfolio, it was spread across 14 funds covering a variety of asset classes and global markets. I note there wasn't an equal split across these funds, for instance the largest holding at the point of the advice was 15% in the Baillie Gifford American fund, which as its name suggests, invested in American equities and as such was likely to exhibit a higher degree of volatility. But conversely, around a third of the portfolio's holdings were bonds, gilts and cash – much lower risk and likely to demonstrate much less volatility.

With hindsight, it can be seen that an alternative fund/asset allocation might've produced a better performance. But I must consider the recommendation based on what was known at the time and in that respect, I'm satisfied that the portfolio represented a suitable recommendation given Mr C's circumstance, objectives and, importantly, his intended investment term. His complaint was made only two and a half years into an agreed term of six to nine years and came after a period of generally volatile performance in the markets.

I note Mr C's said that no KIIDs for the individual funds within the portfolio were provided to him at the time of the advice, although the recommendation report indicated they were. And he feels that if they had been, he would've noted the high level of risk associated with some of the funds and opted to invest differently.

I can't be certain what happened here, but given the discussions had with the adviser and the other information provided to him, I don't think, on balance, it's likely receipt of the KIIDs in 2021 would've prompted him to not accept the recommendation.

In respect of the level of service provided, I appreciate Mr C's concerns that there wasn't a more active involvement from the adviser after the initial advice. But the recommendation report issued to him in August 2021 explained that he would receive Abacus' 'Classic' level of service and that full details of what that involved could be found in the separate Ongoing Service Proposition document, which he signed. This explained the cost and what would be provided, highlighting that there would be no annual review – although it noted a more expensive level of service, at 1%, could be selected, which did include an annual review. The document also explained that the ongoing service and costs could be cancelled at any time.

Further, the recommendation report itself explained how changes to the portfolio might be made and stressed that as a low-cost service, active participation from Mr C would be required. It also stressed that a more expensive discretionary service could be provided. Mr C did receive the annual documentation that was included with the Classic service.

In summary, I'm satisfied the recommendations made to Mr C were suitable and that the costs and extent of Abacus's ongoing service was explained to him and subsequently provided to him."

Mr C didn't accept my provisional decision. He provided a further submission expanding on several points, primarily, in brief –

- His existing ISA investments had been invested by his father without his involvement; the adviser had no information regarding them so could make no judgement about them.
- An analysis of the recommended portfolio showed it to lack diversity and be over-weighted towards higher risk funds, particularly for a low medium investor.
- There'd been too much focus on one Baillie Gifford fund, and that provider in general.
- These high risks funds had experienced a disproportionate loss when compared with their associated indices.
- The KIIDs hadn't been provided as required and would've provided important information regarding the risk level that would in turn have led him to invest differently.
- It had been documented in the Recommendation Report that he'd required an ongoing advice service, but one had not been provided, even during periods of very poor performance. The 'Classic' service that had been provided had been of no value.

In light of Mr C's further submissions, I asked Abacus for a copy of the document Mr C had signed in respect of ongoing service, which confirmed he'd selected the Classic service (or 'Basic' as it was referred to on the form). This was put to Mr C who stressed that the recommendation report had documented that he'd required "ongoing monitoring and review of your affairs from a regulated financial adviser", yet he'd nevertheless been recommended Abacus' Classic service that didn't provide the required level of service.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I want to assure Mr C I've read and considered everything, including his submissions made in response to my provisional decisional and further enquiries. But that said, I'm satisfied I don't need to comment on every point raised to reach what I consider to be a fair and reasonable decision. Where I've chosen not to comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. That approach is in line with the rules we operate under.

Further, where the evidence is incomplete or inconclusive, I've reached my decision based on the balance of probabilities. That is, what I think is more likely than not to have happened in light of the available evidence and a consideration of the wider circumstances.

I think it's clear that the two key issues are the level of risk associated with the portfolio and the level of service provided to Mr C once the investment had started.

In respect of the first of these, the risk, I appreciate all that Mr C has said regarding his analysis of the portfolio and I've reflected carefully upon it. As noted in my provisional decision, I accept there was some weighting towards higher risk funds, which on the face of it I can see does create some questions around its recommendation to an investor who's been categorised as having a 'low medium' attitude to risk, a '5' on a scale of 1 to 10. But despite the weighting towards higher risk funds, it was still around one-third reliant upon bonds, gilts and cash. The weighting towards America was clearly unfortunate in light of the subsequent market volatility during 2022. But I think it's important to avoid the use of hindsight here, and I must look at the recommendation in the context of Mr C's overall circumstances in August 2021, to include his experience, objectives and intended investment horizon.

In respect of the former, I note Mr C's comments about his existing investments, but it appears the adviser was aware of how he was invested, as details of the funds were noted in the financial planning questionnaire. So, although the investment was small and I accept originally guided by Mr C's father, it would nevertheless have given him some understanding of investment and market activity.

Ultimately, I'm satisfied that overall, given Mr C's circumstances and objectives recorded at the time of the advice, the recommendation of the Abacus 'Active Profile 5' portfolio was suitable.

Regarding the KIID issue, even if I assume the documents weren't supplied to Mr C, as I said before, I don't think if they had been it would more likely than not have altered the position. The recommendation report set out very clearly details of the 14 funds the portfolio invested in at that point, providing their names, so broadly speaking the type and geography of the related assets, and the associated weightings. As Mr C wasn't prompted to question the suitability based on that information, on balance I'm not persuaded he would've been prompted to do so based on the KIIDs.

In respect of the second key issue, the fees charged by Abacus, I note what Mr C has said about the comment in the Recommendation Report, that he wished to receive "on going monitoring and review of your affairs from a regulated financial" and that wasn't what transpired. But the comment was made under the "What is the scope of my advice?" section, in which the adviser set out what he was advising on, i.e. to invest £44,000 for long term capital growth, etc.

Ultimately, it seems the recommendation the adviser made in respect of monitoring and reviewing of Mr C's affairs was noted in the report as being the 'classic' level of ongoing advice. Why he made that particular recommendation, as opposed to recommending the premier service that would've provided Mr C with annual reviews, isn't clear. It may be that after discussions he felt the cheaper option (although I accept not the cheapest option) was more appropriate for Mr C's circumstances and objectives.

In any event, Mr C signed the' Initial Adviser Charge & Ongoing Service Payment Agreement' (which detailed the costs, and the other levels of service and cancellations rights) to accept the classic level of service. And he would've been aware from the receipt of the annual letters in 2022 and 2023 that he was receiving that level of service and not annual face to face reviews. So, he could've asked to change at any point.

In summary, while I recognise Mr C's strength of feeling and accept that the matter is balanced, I remain of the view that the recommendation made to him in 2021 was suitable for his needs and circumstances and further. I'm also not persuaded that Abacus acted incorrectly or unfairly in respect of the ongoing service provided to him.

My final decision

For the reasons given, my final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 October 2025.

James Harris
Ombudsman