

The complaint

Mr G complains that Quilter Financial Services Limited (“Quilter”) gave him unsuitable investment advice. He says he was advised to invest in a fund which was too risky for him. He sold the fund and incurred a loss, and he wants Quilter to compensate him.

The advice was given by an independent financial advisor who was an appointed representative of Quilter. As such, Quilter is responsible for this complaint. To keep things simple, I’ll refer to the business as Quilter throughout my decision.

What happened

Mr G received an inheritance and sought investment advice from Quilter.

He had an interest only mortgage and, on receiving the inheritance, repaid as much capital as he could without incurring a penalty. He planned to repay more capital over the coming years.

He wanted to keep £40,000 in a deposit account and invest the remaining £75,000. He was assessed as having a “balanced” attitude to risk and Quilter recommended he invested all of the £75,000 in its Cirilium Balanced Portfolio accumulation fund. It recommended £20,000 of the investment was made through an ISA account.

Soon after the investment was made, Mr G expressed concerns as the fund fell in value. Quilter reassured him and he continued to hold the fund until around October 2023 when he withdrew his money realising a loss.

In April 2025, Mr G complained that the advice he’d received had been unsuitable for him. He said:

- He wanted to invest for a maximum of five years and then use the money to repay his mortgage.
- He had no experience or knowledge of investing.
- He only wanted to take little, or no, risk.
- The recommended fund was too risky for him, and he raised concerns numerous times but was told performance would improve and the value would recover.

Quilter said Mr G was assessed as having a “balanced” attitude to risk. There’s nothing to support that Mr G was only looking for a low or no risk investment. He wanted to invest for 10 years. The Cirilium Balanced fund was aligned to his agreed risk profile. The short-term performance of the fund was disappointing, but there was no guarantee of investment performance and Quilter can’t be held responsible for the performance of an investment that was assessed as being appropriate at the time it was recommended. It was Mr G’s responsibility to read through its suitability letter to ensure he understood the recommendation, and he should have raised concerns at the time – and at the annual review meeting.

Our investigator recommended that the complaint should be upheld. He thought Mr G should have been categorised as a “conservative” investor as he hadn’t invested before and had limited knowledge of investments. And it was clear retaining capital was a major consideration for him. The investigator concluded Mr G’s money should have been exposed to far less risk. He recommended Quilter should pay Mr G compensation using a benchmark of the FTSE UK Private Investors Income Total Return Index for half the investment; and the average rate from fixed rate bonds for the other half.

Mr G agreed with our investigator’s conclusion.

Quilter didn’t agree. It said, in summary, that:

- Mr G confirmed he would use £30,000 held in his bank account to make overpayments of up to 10% each year on his interest only mortgage. And that his wife had also received an inheritance which could be used for the same purpose.
- Mr G completed its attitude to risk questionnaire that resulted in a balanced attitude to risk, which reflected the wider discussion about risk and reward, the timeframe for investing, and his investment experience.
- Mr G was looking for long-term growth and tax efficiency.
- He told Quilter he had previously held investments – so he did have investment experience.
- At the annual review in 2022, Mr G confirmed his attitude to risk remained “balanced” and he didn’t raise any concerns about the fund and its risk profile.
- Significant research and advice were provided to Mr G for him to make an informed decision to invest.
- Mr G wanted to invest for 10 years but withdrew his investment after three and a half years. This doesn’t suggest he was a “conservative” investor.

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.

Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Having considered everything carefully, I have come to the same conclusion as our investigator – I find Mr G was wrongly categorised as having a “balanced” attitude to risk and the recommended fund was too risky for him. Let me explain why.

Quilter’s definition of a “balanced” investor is:

“Balanced investors typically have modest levels of knowledge about financial matters. They may have some experience of investment in riskier assets.

In general, Balanced investors prefer not to take much risk with their investments, but will do so to an extent. They prefer lower risk assets, but realise riskier investments are likely to give better longer term returns.

Balanced investors can take some time to make up their mind on financial matters and can often suffer from regret when decisions turn out badly.”

Quilter says Mr G had investment experience, but the fact find offers no detail about this, other than noting that Mr G had *“no current investments, however has held some in the past”*. This gives no indication of what those investments were, or how long ago he'd held them.

Given the lack of information in the fact find about Mr G's investment experience, I've looked at the answers Mr G gave in the risk questionnaire. Mr G agreed that he had *“little or no experience of investing in stocks, shares, or investment funds”*. He also disagreed that he felt *“comfortable about investing in the stockmarket”* and agreed that he preferred *“bank deposits to riskier investments”*.

There were some apparent contradictions in his answers. For example, he disagreed with *“I'm not comfortable with the ups and downs of stockmarket investments”* - although I think it's possible the double negative here led Mr G to answer incorrectly. I accept it's possible a wider discussion about risk may have taken place but, overall, I find the answers in the main align more closely with Quilter's description of a “conservative” investor:

“Conservative investors typically have fairly limited knowledge of financial matters. They are unlikely to have much experience of investment.

In general, Conservative investors prefer knowing that their capital is safe rather than seeking high returns. They are not particularly comfortable with the thought of investing in the stockmarket and would rather keep most of their money in lower risk assets.

Conservative investors can take a relatively long time to make up their mind on financial matters and will usually suffer from regret if their decisions turn out badly.”

I also think a conservative attitude to risk was more appropriate than the balanced attitude to risk given Mr G's circumstances at the time. He needed to protect the capital intended to repay his interest-only mortgage, and his financial position meant he had limited means of replacing losses, particularly as he was due to retire in around five years and would only receive a state pension.

I've taken into consideration that Quilter says Mr G's wife had also received an inheritance and would be able to contribute towards the mortgage repayment. But, apart from mentioning that Mr G's wife *“also earns and contributes”*, this wasn't reflected in the fact find or suitability letter which only considered Mr G's financial circumstances. The house and mortgage were in Mr G's sole name, and it was Mr G who was responsible for the monthly interest payments and the capital repayment.

Mr G's response and actions after the investment had been made further satisfies me that he'd been incorrectly categorised as being a balanced investor. The advisor said that Mr G contacted him *“at least once a month”* because *“he required reassurance as markets were not performing as expected.”* I find he either didn't want to be exposed to stockmarket risk, or he didn't understand that risk because he didn't have enough knowledge and experience. His repeated contacts for reassurance showed his discomfort with stock market risk. And I find his decision to sell the fund after three years, rather than expose himself to further losses, demonstrates the action of somebody uncomfortable with the volatility of the stockmarket – and not the action of a “balanced” investor as Quilter suggests.

Quilter also says Mr G wanted to invest for a minimum of 10 years. Although 10 years is mentioned in the suitability letter, it also mentions *“five years or more”*. Bearing in mind, as already noted, Mr G was due to retire in around five years and his fixed rate mortgage was

also due to end in around five years, his circumstances were due to change significantly. And I don't think an investment intended for anything more than five years was suitable for him.

I've taken into account that an annual review took place in 2022. And Quilter says Mr G confirmed his "balanced" attitude to risk and didn't raise any concerns about his fund investment. But, as noted above, the frequency of his contact with the advisor suggests he placed heavy reliance on Quilter's reassurances when the fund lost value and that he may have been persuaded to take more risk than he wanted to, or was suitable for him.

In summary, I find Quilter wrongly assessed Mr G as being a "balanced" investor. Quilter recommended Mr G invested in its Cirilium Balanced Portfolio accumulation fund which had a risk rating of five out of seven, towards the higher end of the risk scale. I don't find this fund was suitable for Mr G, given his attitude to risk and his circumstances at the time.

Putting things right

Fair compensation

In assessing what would be fair compensation, I consider that my aim should be to put Mr G as close to the position he would probably now be in if he had not been given unsuitable advice.

I take the view that Mr G would have invested differently. It is not possible to say *precisely* what he would have done differently. But I am satisfied that what I have set out below is fair and reasonable given Mr G's circumstances and objectives when he invested.

What must Quilter do?

To compensate Mr G fairly, Quilter must:

- Compare the performance of Mr G's investment with that of the benchmark shown below and pay the difference between the *fair value* and the *actual value* of the investments. If the *actual value* is greater than the *fair value*, no compensation is payable.
- Quilter should also add any interest set out below to the compensation payable.

Income tax may be payable on any interest awarded. *

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
Quilter Investors Cirilium Balanced Portfolio R (GBP) Accumulatio	No longer in force	For half the investment: FTSE UK Private Investors Income Total Return Index; for the other half: average rate from fixed rate bonds	Date of investment	Date ceased to be held	Pay 8% simple interest per year on any loss from the end date to the date of settlement

Actual value

This means the actual amount paid from the investment at the end date.

Fair value

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

To arrive at the *fair value* when using the fixed rate bonds as the benchmark, Quilter should use the monthly average rate for one-year fixed-rate bonds as published by the Bank of England. The rate for each month is that shown as at the end of the previous month. Those rates should be applied to the investment on an annually compounded basis.

Quilter must pay the compensation within 28 calendar days of the date on which we tell it Mr G accepts my final decision.

If Quilter fails to pay the compensation by this date, it should pay 8% simple interest per year on the loss, for the period following the deadline to the date of settlement.

Why is this remedy suitable?

I have decided on this method of compensation because:

- Mr G wanted capital growth with a small risk to his capital.
- The average rate for the fixed rate bonds would be a fair measure for someone who wanted to achieve a reasonable return without risk to his capital.
- The FTSE UK Private Investors Income *Total Return* index is a mix of diversified indices representing different asset classes, mainly UK equities and government bonds. It would be a fair measure for someone who was prepared to take some risk to get a higher return.

- I consider that Mr G's risk profile was in between, in the sense that he was prepared to take a small level of risk to attain his investment objectives. So, the 50/50 combination would reasonably put Mr G into that position. It does not mean that Mr G would have invested 50% of his money in a fixed rate bond and 50% in some kind of index tracker fund. Rather, I consider this a reasonable compromise that broadly reflects the sort of return Mr G could have obtained from investments suited to his objective and risk attitude.

* HM Revenue & Customs requires Quilter to take off tax from this interest. Quilter must give Mr G a certificate showing how much tax it's taken off if he asks for one.

My final decision

I uphold the complaint. My decision is that Quilter Financial Services Limited should pay the amount calculated as set out above.

Quilter Financial Services Limited should provide details of its calculation to Mr G in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 6 March 2026.

Elizabeth Dawes
Ombudsman