

The complaint

Ms F complains about the performance of her Individual Savings Account (ISA) whilst it was being managed by TrinityBridge Limited trading as Close Brothers Asset Management. She thinks Close Brothers failed to accurately ascertain her needs and objectives.

What happened

I issued a provisional decision on this complaint on 3 July 2025. The background and circumstances to the complaint and the reasons for my provisional findings were set out in that decision, and so I won't repeat them all again here. However to summarise, Close Brothers had advised Ms F to open an ISA and invest £20,000 into it in March 2021. The capital was to be invested in a conservative discretionary managed portfolio.

Ms F's complaint had been considered by one of our investigators. He thought the complaint should be upheld. He said he thought the recommendation to open the ISA and invest £20,000 was reasonable, and that the underlying investments were in line with Ms F's agreed low to medium attitude to risk.

However he noted that the total charges in the first year were 3.594%, including a fee for the Discretionary Managed Service (DMS) of 1.02%, and then total charges of 2.094% yearly from then on. He said the costs significantly reduced the potential growth for the ISA. Given the relatively modest amount invested, that Ms F's objectives were relatively straightforward, and given Ms F's attitude to risk (which was recorded as low to medium) he thought the lower likely returns meant the recommendation would struggle to justify the increased costs. Taking all this into account, the investigator didn't think the recommendation to use a DMS was suitable in the particular circumstances.

Close Brothers didn't accept the investigator's findings. It said, in summary, that it believed its clients wanted to protect their wealth and manage risk, especially through turbulent times. It said it thought the best way to achieve that was by actively managing their investments across diversified multi-asset portfolios. Its fundamental approach was for its clients to have direct access to an investment manager, as well as their financial adviser, who together would find the optimum path for their investment portfolio.

Close Brothers said Ms F's existing invested funds weren't being actively managed or regularly reviewed. Ms F hadn't been receiving any financial planning or advice. It said its investment team worked in partnership with its research team to select the best risk rated funds to perform well in a given environment. It listed the key benefits of its Discretionary Managed Service.

It went on to provide confirmation of the charging structure for its services and said its charges were competitive. It said its clients could change their investment strategy at any time in line with changes in their objectives.

Close Brothers said Ms F's investments wouldn't remain in line with her risk profile unless a manual review was undertaken, typically annually, which would require advice and which would need to be paid for. Close Brothers said when the cost of advice was factored in, this

dramatically reduced the gap between the alternative courses of action. It said it was clear which provided a more suitable service more closely aligned to Ms F's objectives.

In my provisional decision I said, like the investigator, I thought the recommendation to invest the lump sum into the ISA was suitable in the circumstances. I said I'd listened to the calls between Ms F and the adviser, and in my view the adviser had explained the longer-term nature of the investment. And also that it involved taking some risk – against taking no risk at all. The adviser had specifically covered that Ms F had noted down she wanted none to limited risk on the risk questionnaire she completed. And he'd discussed the associated implications of taking some risk and whether Ms F did in fact want to take some risk given the low returns available from no risk funds at that time.

We had asked Close Brothers if it had a minimum threshold level for the amount invested when recommending a DMS. It confirmed that its minimum was £250,000. It said it wouldn't usually have recommended a single annual ISA subscription amount into the DMS strategy in isolation. However the ISA recommendation was made prior to Ms F's pension subsequently being added to the portfolio due to the tax year end for ISA subscription approaching. It said if the pension hadn't subsequently been added the ISA could have been switched into another of its investment strategies (potentially using its fund range), without charge, and with the ongoing charges applicable to the recommended strategy.

I noted the suitability report for the pension was dated 4 May 2021. So I thought Ms F's ISA would otherwise have been switched from the DMS if it had been identified she shouldn't have switched the pension sometime around that time in any event. However I'd gone on to consider whether the recommendation was suitable irrespective of the limit, to help decide what was fair compensation and for what period.

The total charges in the first year were just under 3.6%, and just under 2.1% in year two. The adviser made clear the intention was to hold the ISA for at least five years. So I said if the 1.5% charges associated to the initial advice were spread out over a five-year period, their impact would be around 0.3% a year. Or if over 10 years 0.15% a year. So effectively, over a ten-year period the total annual reduction in yield would have been around 2.25% (2.1% plus the 0.15%).

Close Brothers had said it thought the investment solution was the most suitable as, amongst other things, it provided both the ongoing investment management and the necessary controls to make sure that it remained consistent with Ms F's attitude to risk. However, I said the layers of management - the costs of a discretionary manager and ongoing costs of a financial adviser, meant Ms F was paying higher charges. So I thought the benefits had to be weighed up against the costs, and in light of Ms F's particular circumstances.

I noted Ms F had queried the additional costs of using the DMS in one of her conversations with the adviser at the time of the advice. She'd said it involved another quite high fee, and asked if she needed it. Although the proposition offered by Close Brothers may have allowed her greater control and access to the investment manager and input, I said I didn't think these features were particularly beneficial to Ms F; she had said she had little experience of investing in stocks and shares, and so in reality, I thought they would have had limited benefit to her.

But I said ultimately Ms F would naturally have wanted to maximise the investment returns for the ISA in the context of the degree of risk that she was prepared to take. I said the forecast returns for the firm's investment solutions didn't appear to be higher for the DMS arrangement against the other solutions. And I'd seen no persuasive evidence or analysis showing that the DMS was more likely to outperform an arrangement where the adviser

recommended funds and monitored their suitability on an ongoing basis, which I understood was cheaper. I said all other things being equal, the DMS had a charge of 1.02% in itself and, given Ms F's lower medium risk profile, small differentials in charges could be significant and harder to recover.

I said I wasn't persuaded the potential benefits of the DMS to Ms F in particular outweighed the additional costs incurred. And I didn't think that the advice was in Ms F's best interests from the off. So I thought compensation should be calculated from when the capital was first invested in March 2021 (rather than the later date in May 2021 when it would anyway have been switched).

Close Brothers had said where extra cost had been found to be unjustified, it thought the compensation should be based on a comparison of charges. I said I recognised that this was one approach that could be taken, but I thought what was appropriate would depend on the particular circumstances.

I said in the particular circumstances here, I thought the advice to invest money in the ISA with Close Brothers was suitable. I said on the one hand, it was arguable that as the money shouldn't have been invested through the DMS in the first instance, and it wasn't known what funds would otherwise have been chosen, a comparison of returns against a suitable benchmark was appropriate. However on the other, the funds Ms F was invested in were aligned to her degree of risk. And the adviser would have selected funds from the same range of funds, so there may have been some overlap to some degree. I said I thought that there were reasonable arguments either way. However I said I thought a charges comparison was reasonable in the particular circumstances of this case.

I went on to say that my provisional decision was to uphold Ms F's complaint. And I set out how I thought Close Brothers should calculate and pay fair compensation to Ms F.

Responses to Provisional Decision

Ms F responded to say, in brief, that it wasn't clear to her why my recommended settlement was to pay the compensation into her pension. She also said as well as the original £20,000 paid into the ISA in March 2021, she had paid an additional £20,000 in August 2021.

Close Brothers responded to say, in brief, that the charges on the most comparable fund to that Ms F was invested in was the Conservative Portfolio Fund which had an OCF (Ongoing Charges Figure) of 0.87%. So it said it was comparable to the charges for the DMS. It said it thought Ms F, given she had little investment experience, would likely find the features of the DMS of more benefit having the added confidence of knowing investment specialists were managing her capital.

Close Brothers also queried the relevance of my reference to paying compensation into Ms F's pension.

Following further exchanges with Close Brothers to seek clarification about the relevant charges, I sent an e-mail to Ms F with a copy to Close Brothers on 26 August 2025. In summary, I said in my provisional decision I'd understood there was a 1.02% differential in charges involved in using the DMS/ongoing adviser service compared to the ongoing adviser service alone, and with the adviser selecting a range of appropriate funds. However following further correspondence with Close Brothers, it was my understanding that the differential was 0.711% in year 1 and 0.642% in year 2 onwards based on the charges at the time the advice was given.

I said there was no set or hard line defining a level of charge above which a transaction

might be considered unsuitable as it would depend on the specific circumstances and facts of each case. I said relatively small differentials could be material depending on the specific facts. But having carefully considered the matter, I said I didn't think the additional charges associated with the firm's original recommendation about the ISA meant the advice was unsuitable in the circumstances here. I said in light of my revised understanding of the charges, I didn't think the additional charges outweighed the benefits of the DMS, and so I said I didn't think the firm's recommendation about the ISA was unsuitable given the lower differential in charges.

However, as I'd said in my provisional decision, Close Brothers had a minimum threshold level for the amount invested when recommending a DMS (£250,000). It had said if the pension hadn't subsequently been added to the ISA, Ms F could have switched into another of its investment strategies without charge, and with the ongoing charges applicable to the recommended strategy. Given Ms F had already expressed doubts about the need for a DMS arrangement given its extra charges in the advice process, I said I thought it was likely Ms F would have opted to switch from the DMS when it was identified the pension wasn't going to be switched. The suitability letter was dated 4 May 2021. So I thought assuming a switch should take around five working days, 12 May 2021 was an appropriate date from which compensation should be calculated. And using the actual differential in charges over time – so starting at the 0.711% and changing over time and including any additional sums paid in.

I said I had mistakenly said compensation should be paid into Ms F's pension in my provisional decision however this was incorrect.

Ms F responded to say, that the DMS charge was 1.02% when VAT was included, and she also paid the Ongoing Advice and Service Fee of 0.6%. So this came to 2.181% in year one and 2.112% in year two.

Ms F said she noted I had determined that compensation should be based both on a differential between her DMS fees and an alternative fund. However, she thought that Close Brothers' conduct may warrant additional compensation as she had only been alerted that the DMS service could be switched off in a call with Close Brothers on 1 August 2025, despite it having several opportunities to tell her. Ms F said given she had raised whether she actually needed the DMS at the time of the original advice, she thought it might be appropriate for the full balance of the DMS fees to be refunded rather than just the differential between the DMS fees and an alternative fund. She also said she'd had no direct communications or discussions relating to her ISA investments since July 2023, an apparent key "benefit" of the DMS service.

Ms F said the value of her fund was still less than the amount she had originally invested. She noted other Close Brothers' funds had grown in value. She asked that Close Brothers should explain why her fund was still underwater despite more than four years of investment, and whether the loss was purely driven by excessive fees?

Ms F said that she would be able to receive any compensation directly back into her ISA account, but then said she had maxed out her ISA contributions for this tax year and so would be at a disadvantage as a result.

Close Brothers confirmed it agreed with the revised provisional findings.

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 what I said in my provisional decision with subsequent clarification in my e-mail to both parties sent on 26 August 2025 provides a fair and reasonable outcome in the particular circumstances of the case. So Close Brothers should calculate and pay compensation to Ms F based on the differential of charges based on the assumption she would have invested in the fund with an OCF of 0.87%, and with the adviser continuing to provide the ongoing advice service from 12 May 2021 after switching from the DMS. This would be compared with the total charges she actually paid, so the starting difference was approximately 0.711%.

Ms F said she noted I had determined that compensation should be based both on a differential between her DMS fees and an alternative fund. I should clarify that compensation will be calculated on the basis of the difference in charges only, rather than any comparative analysis of the performance of the two funds. I have assumed Ms F would have switched away from the DMS service on 12 May 2021. And so wouldn't be paying the DMS charges from that date. Even if Close Brothers didn't alert her that she could switch off that fee until August 2025, I'm satisfied refunding the differential from May 2021 is appropriate in the circumstances. Close Brothers has managed the investments to ensure their suitability, the alternative being advice on appropriate funds given by the adviser without the DMS as I've said. However Ms F would have paid for one or the other either way.

I recognise that Ms F might question that she has 'benefited' from Close Brothers advice/management of her funds if, as she has said, the value of her fund is still less than the amount of capital she invested. Different investment managers will have different reasonable opinions about the future direction of asset prices, and therefore different managers/funds will show different investment performance. Product charges will clearly have an impact on performance, and the higher the charges the more significant the drag on it. However where a product doesn't offer guarantees there is always the possibility that asset prices can fall, and therefore the value of the capital invested itself falls. However that is one of the risks of accepting a risk-based approach to investment.

Ms F said that she would be able to receive compensation into her ISA account, but also said she had maxed out her ISA contributions for this tax year and so would be at a disadvantage as a result. So I think she likely meant to say she couldn't pay the compensation into her ISA for this tax year. HMRC allow some one-off payments above the annual allowance in some circumstances (within a set time period), so Close Brothers (at its own discretion) might accept the compensation into the ISA if it qualifies under HMRC rules.

If it's not paid into the ISA for this tax year, Ms F can pay the compensation into her ISA in future years. Even if Ms F used her full ISA contribution going forward, given the amounts involved here and the annual allowances provided (capital gains tax and dividend income) which Ms F could utilise, there would either be no difference or only a marginal one if Ms F invested the compensation outside of the ISA wrapper. So I think it's reasonable for Close Brothers to pay compensation to Ms F directly in the particular circumstances here if it isn't paid into the ISA.

Putting things right

What should TrinityBridge Limited trading as Close Brothers Asset Management do?

To compensate Ms F fairly TrinityBridge Limited trading as Close Brothers Asset Management should:

- Calculate the value of the additional charges Ms F paid as a result of being invested through the DMS as explained above, from 12 May 2021 to the date of this final decision, including on any additional sums paid in from time to time. I'll call this Value A.
- Close Brothers should pay Value A into the ISA at its discretion on the basis as outlined above, or if not directly to Ms F as a lump sum.
- Close Brothers should also pay £100 to Ms F for the distress and inconvenience caused by the matter.
- Close Brothers should provide details of the calculation to Ms F in a clear, simple format.
- Close Brothers should pay interest at the rate of 8% simple per annum on the compensation from the date of this final decision to the date of settlement, but only if it doesn't arrange settlement within 28 days of us notifying it of Ms F's acceptance of this final decision.

My final decision

My final decision is that TrinityBridge Limited trading as Close Brothers Asset Management should calculate and pay compensation to Ms F as I have set out under 'Putting things right' above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 21 October 2025.

David Ashley
Ombudsman