DRN-5846780

Financial Ombudsman Service

The complaint

Mr S has complained that Raymond James Investment Services Limited ('RJIS') recommended an unsuitable investment strategy, which came at significant cost, across his and his late wife's investment portfolio. He also complains that RJIS failed to implement the investment strategy agreed upon, resulting in a significant loss.

What happened

In 2018 Mr and Mrs S started a new relationship with RJIS after their former financial adviser retired. In January 2018 RJIS completed a fact-find, noting that Mr S had an existing pension valued at around £330,000 and an Individual Savings Account ('ISA') valued at just under £50,000 and Mrs S had an ISA valued at just under £90,000. They also jointly owned a commercial property and had cash of £45,000 on deposit.

RJIS noted that Mrs S was retired and Mr S's business was due to cease trading in a few months. It recorded that they were both in receipt of their state pensions and going forward they wanted a joint income of £50,000 net from all sources. And they wished to invest their funds to provide income as required and capital growth by producing returns in excess of deposit rates and inflation. RJIS noted that Mr and Mrs S had a risk profile of three on a scale of one to seven, but this was increased to four given their desire for growth. RJIS explained that Mr and Mrs S's then current assets were invested at a higher level of risk than was suitable given their risk profile, with approximately 97% of monies invested in growth assets and 3% in defensive assets.

In February 2018 RJIS issued a suitability report setting out its recommendations. RJIS recommended Mr S transfer his existing pension to a self-invested personal pension ('SIPP') with James Hay and that they each transfer their existing ISAs to Stocks and Shares ISAs provided by RJIS. I will refer to this going forwards as their investment portfolio. RJIS also recommended that Mr and Mrs S use RJIS's discretionary managed service ('DMS') to manage their portfolio based on an investment mandate of 50% growth and 50% defensive assets. RJIS said that it would review Mr and Mrs S's portfolio and financial circumstances twice a year initially, but they would provide quarterly valuations.

Mr and Mrs S accepted the recommendations and RJIS confirmed the assets would be transferred in specie. By May 2018 RJIS's recommendations to open a new SIPP and ISAs had been implemented and the first review was scheduled for November 2018. In the review completed in December 2018, RJIS confirmed that it had reduced the risk in the portfolio by increasing defensive assets to 35% and reducing growth assets to 55% with the remaining 10% held in cash due to market volatility.

Mr and Mrs S had regular reviews with RJIS thereafter where performance was discussed and changes were made depending on the circumstances. At times, significant funds were moved to cash due to what RJIS described as extreme market volatility.

In September 2023 Mr S contacted RJIS on his and Mrs S's behalf to highlight their concern about the falling value of their portfolio. He said losses exceeded 20% of the transfer value since inception with no signs that RJIS was capable of reducing the deficit. Mr S explained

he'd met with a new financial adviser who'd undertaken a review of the portfolio. The new adviser said he thought the portfolio had been managed at odds with the investment strategy and Mr and Mrs S had experienced extremely high charges. Mr S said that he had made it very clear from the outset that first and foremost they wanted to protect the value of their portfolio and would be happy to accept very modest returns, which friends had managed to achieve over the same period.

RJIS responded, saying that the initial charges had an impact in the first year and the portfolio had performed well until the end of 2021. It said:

"Most losses came in 2022 over 20% with the rise in inflation and the resulting collapse in bond yields, with falls around 35% in the typical pension duration holdings with both UK and US sovereigns. This is the bedrock of all pension fund holdings for companies, universities, and other such annuity providers. If you recall these bonds protected your portfolio well during the beginning of the pandemic.

On a more positive note, what goes down typically over time goes up. So, these same holdings, now offer the best risk reward returns versus equities that we have seen in decades…."

RJIS tried to arrange a meeting for late October 2023 to go through Mr and Mrs S's concerns in more detail and explain the strategy for the next 12 months. However, on 30 October 2023 Mr S informed RJIS that he and Mrs S had decided to move their portfolio away from RJIS and their new adviser would be in contact to make the necessary arrangements.

RJIS said it regretted that it wasn't able to deliver the performance Mr and Mrs S had hoped for. It said their portfolio would be moved on to the execution-only service so that the DMS charges would not be incurred going forwards; however, custody charges would remain until their assets were moved off their platform to their new investment managers.

In October 2023 Mr & Mrs S made a formal complaint about the advice they'd received and how their portfolio had been managed. They said that they were led to believe they were taking out products that were appropriate for their needs but the investments had led to significant losses and excessive charges. Mr and Mrs S questioned why so many trades were placed, which significantly inflated costs. Mr and Mrs S also said the investments hadn't been managed in line with the agreed strategy and queried the appropriateness of the benchmark RJIS had used in its valuations which they didn't think reflected their circumstances. Mr and Mrs S requested compensation so that they were put back into the position they would've been in had they been advised to take out appropriate products.

On 22 December 2023, RJIS provided its final response; it didn't uphold the complaint. It said that the advice was suitable and the charges were clearly explained in a number of documents provided, which Mr and Mrs S had accepted. RJIS said their portfolio had had been managed in line with the agreed mandate throughout. It also said that the number of trades and associated costs had been discussed at reviews. It said that Mr and Mrs S's wealth manager provided active management of their portfolio and trading costs increase during volatile periods. It added this had been reduced by the last meeting. RJIS said the benchmark it used provided a comparison but wouldn't fully align with the performance of a discretionary managed portfolio as benchmarks do not consider any risk mitigation taken by a wealth manager through active management, nor do they incorporate any costs that impact an actively managed portfolio.

Mr and Mrs S remained unhappy so referred their complaint to the Financial Ombudsman Service.

Mrs S sadly passed away. Mr S later confirmed that all accounts within the portfolio complained about were now held in his name.

Our Investigator ultimately didn't uphold the complaint, saying the advice was suitable and that RJIS had managed the portfolio in line with the agreed investment strategy.

Mr S didn't agree. He said he and the late Mrs S were not experienced investors and relied on the advice they received. Although they had experienced higher returns in the past they were looking to protect what they had and accepted that the returns could be as low as 1-2%. They said they accepted the advice to use the DMS because they didn't have experience in these matters and were assured the management style would mean they would outperform benchmarks. Mr S said he had clearly evidenced instances where the portfolio hadn't been managed in line with the agreed mandate.

The Investigator wasn't persuaded to change their opinion, so the complaint was referred to me to make a decision.

I issued a provisional decision on 28 August 2025 upholding the complaint. I said I thought that Mr S had complained about the overall suitability of the advice he and Mrs S had received, which led to significant charges. And I was inclined to say that the advice received to switch Mr S and the late Mrs S's arrangements wasn't suitable for them. I thought RJIS had recommended that Mr and Mrs S switch to virtually identical products at a significantly increased cost. And I wasn't satisfied that the recommendation to take the DMS service was a suitable recommendation given that they were mostly seeking to maintain their provisions, with growth in line with inflation. I also didn't think that RJIS had provided clear information about the costs involved in enacting the switch and taking the DMS and I wasn't persuaded that Mr and Mrs S would've accepted the advice had they known the true costs.

I recommended that Mr S should be compensated for the unsuitable advice by comparing his pension and investments with the value they would have achieved had they experienced growth in line with a benchmark. I also recommended that he should receive £250 for the distress and inconvenience caused by the unsuitable advice.

Mr S accepted my provisional decision. He confirmed that his SIPP and ISAs were transferred to a new provider, but remain open. He also confirmed that he made total withdrawals of £20,000 and the timing of them.

RJIS asked for an extension of time to respond to the provisional decision, which was granted. However, RJIS didn't respond by the extended deadline, so I'm now providing my final decision.

What I've decided – and why

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

Having done so, I'm still upholding the complaint. As Mr S accepted my provisional decision and RJIS didn't make any further representations, I see no reason to depart from my provisional decision. So, I've repeated my findings below.

I've taken into account relevant law and regulations, Regulator's rules, guidance and standards and codes of practice and, where appropriate, what I consider to have been good industry practice at the time. This includes the Principles for Businesses ('PRIN') and the Conduct of Business Sourcebook ('COBS'). And where the evidence is incomplete,

inconclusive or contradictory, I reach my conclusions on the balance of probabilities – that is, what I think is more likely than not to have happened based on the available evidence and the wider surrounding circumstances.

The applicable rules, regulations and requirements

The below is not a comprehensive list of the rules and regulations which applied at the time of the advice, but provides useful context for my assessment of RJIS's actions here.

PRIN 6: *A firm must pay due regard to the interests of its customers and treat them fairly.*

PRIN 7: *A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.*

COBS 2.1.1R: *A firm must act honestly, fairly and professionally in accordance with the best interests of its client (the client's best interests rule).*

The provisions in COBS 9 which deal with the obligations when giving a personal recommendation and assessing suitability.

In 2009 the Financial Services Authority ('FSA'), the predecessor of the Financial Conduct Authority ('FCA'), published a checklist for pension switching that I think is still of relevance today. It highlighted four key issues it thought should be focussed on:

1. Charges: Has the consumer been switched to a pension that is more expensive than their existing one(s) or a stakeholder pension, without good reason?
2. Existing benefits: Has the consumer lost benefits in the switch without good reason? This could include loss of ongoing contributions from an employer, a guaranteed annuity rate or the right to take benefits early.
3. Risk: Has the consumer switched into a pension that doesn't match their recorded attitude to risk and personal circumstances?
4. Ongoing fund management: Has the consumer switched into a pension with a need for ongoing investment reviews but this was not explained, offered or put in place?

Mr S's complaint

RJIS may consider that Mr S's complaint purely relates to performance and how his investments have been managed, but I think the complaint is also about the suitability of the advice it initially provided.

The Financial Ombudsman Service was set up to deal with complaints in an informal manner. We have an inquisitorial remit, and complainants don't have to precisely define their complaint as they'd need to do in bringing legal action in court; we are able to look more widely at the correspondence to determine the scope of the complaint made. This is consistent with the Court's findings in the case R (on the application of Full Circle Asset Management Ltd) v Financial Ombudsman Service Ltd [2017] EWHC 323 (Admin).

Having carefully considered the matter raised by Mr S, I'm satisfied that although the complaint arose due to concerns over the performance of his investment portfolio, he is also complaining about the suitability of the arrangements recommended to him and the late Mrs S. Looking through the complaint correspondence, Mr S said, amongst other things, that Mr and Mrs S made it very clear when they transferred their portfolio to RJIS that first and foremost they wanted to protect its value and they would be happy to accept very modest returns. They also said that they were led to believe that they were taking out products appropriate to their needs which had led to losses.

In my opinion Mr and Mrs S were expressing dissatisfaction with the losses they had suffered and were linking them to the suitability of the advice that they had been given. I recognise they may not have identified what was actually wrong with the advice. But although Mr and Mrs S had some experience of investing, they were not experts, so I'm satisfied the overall suitability of the advice is within the scope of the complaint.

With this in mind, I've considered whether each aspect of the advice was suitable for Mr and the late Mrs S from the outset.

I've first considered Mr and Mrs S's circumstances at the time of the initial advice from RJIS and what they were seeking to achieve. I understand that Mr and Mrs S met with RJIS on two occasions in January 2018, and the discussions were captured in the 'Client Investment Profile' which I'll refer to as the fact-find here.

The fact-find recorded that Mr and Mrs S each held an ISA and Mr S held a pension investment account on a platform provided by a business I'll refer to as 'Elevate'. Although the fact-find doesn't specify the type of ISAs held by Mr and Mrs S, it is reasonable to assume that they were Stocks and Shares ISAs given that Elevate did not provide a cash ISA and the cash held by Mr and Mrs S at the time was negligible according to the portfolio analysis carried out by RJIS. And although the fact-find didn't specify that Mr S's pension was a SIPP, Elevate describes its pension investment account as a SIPP. So, for clarity, Mr and Mrs S each held a Stocks and Shares ISA and Mr S had a SIPP when they met with RJIS. Further, RJIS recorded that they owned their own home, jointly held a commercial property with Mr S's former business partner and had around £45,000 cash on deposit. RJIS also noted that Mr S directly owned shares worth £10,000.

RJIS recorded that Mr and Mrs S were both retired and were in receipt of the state pension. They also benefited from rent on the commercial property owned by Mr S's business. Mr S had recently retired and his company was due to cease trading by April 2018, at which point the rent would cease. It was further noted that they didn't expect to need to draw from Mr S's pension until the next year and they were thinking of downsizing their property which could provide a further £80,000 to support their income in retirement.

Mr and Mrs S's knowledge and experience of investing was noted to have been on an advisory basis – they hadn't used a DMS previously or made investments on an execution-only basis. RJIS noted that they had invested in gilts, bonds, equities and collective funds through their ISAs and Mr S's pension. Mr S agreed he had a reasonable knowledge of investments in general, though Mrs S said her knowledge was more basic. RJIS noted that Mr and Mrs S *'were keen for* [RJIS] *to take active role in looking after their investments.'* And recorded that RJIS recommended their DMS.

RJIS completed a risk profiling exercise with Mr and Mrs S. They completed a Finametrica assessment which placed them in risk category three on a scale of one to seven. However, the fact-find noted the chosen risk profile was four. The discussion notes say that RJIS felt the risk in their current portfolio should be reduced from the current position which had a weighting of 97% in growth assets. In terms of their capacity for loss, Mr and Mrs S said that a 15% loss of their investable assets would start to impact their standard of living.

Mr and Mrs S's objectives were noted as providing income and capital growth from their investments to support tax efficient withdrawals that met their target income of £50,000 from all sources. The fact-find set out that Mr and Mrs S had agreed that their investment mandate was 50% defensive / 50% growth and that they agreed to using RJIS's DMS.

RJIS then issued a suitability report in February 2018 which said the advice given was based on the details provided in the meeting and as agreed in the Investment Mandate attached to the report. The report reiterated Mr and Mrs S's priorities as follows:

1) Aim to provide a joint income of £50,000 net from all sources, with £20,000 net required from the Portfolio in 12 months' time;
2) Invest to provide income as required and capital growth to protect the portfolio by producing returns in excess of deposit rates and inflation in the UK;
3) Budget and plan for their income and expenditure in retirement; and
4) Reduce risk levels within their investments to that which they feel are appropriate and necessary.

The report then set out the following:

"We have discussed at length the options available to you as you approach retirement and the ways in which, over the coming years, you can provide the required levels of income whilst reducing overall risk and maintaining the potential to generate the target returns.

We have discussed the following routes that you could take:

1) *Purchase of a retirement annuity*
2) *Maintain existing advisory strategy via Elevate*
3) *Similar advisory setup via the Raymond James platform*
4) *Discretionary Managed Service on the Raymond James platform"*

RJIS said that whilst all of the options had their own merits, RJIS considered the DMS was most suitable because the yield return on retirement annuities were unattractive at current levels and using flexible drawdown would allow Mr and Mrs S to increase/decrease pension withdrawals as and when required, using part or all of their tax-free sums.

Having carefully considered Mr and Mrs S's circumstances, objectives and their attitude to risk at the time, I'm not persuaded that the advice RJIS provided was suitable.

The switch of Mr S's SIPP and Mr and Mrs S's ISAs

First and foremost, it is evident that Mr and Mrs S each already held a Stocks and Shares ISA and Mr S held a SIPP, yet RJIS advised them to replace these products with, as far as I can tell based on the evidence provided, identical products. Mr S was advised to replace his Elevate SIPP with a James Hay SIPP and the ISAs were replaced with RJIS ISA's. And it seems to me that the switch of these products came at an increased cost to Mr and Mrs S, not least because by enacting the switch, RJIS charged 3% + Valued Added Tax ('VAT') on the value of the assets transferred.

Furthermore, some of the costs Mr and Mrs S incurred to make the switch weren't properly disclosed; for example, there is no mention of the charges Mr S would incur for opening and maintaining the SIPP with James Hay in the suitability report, nor what Mr S was paying previously for his Elevate SIPP. In the suitability report, it simply says that as discussed in the meeting, the SIPP provider will be James Hay and it had been chosen because it provided a competitive contract with comparable ongoing annual costs. That would suggest that the cost was more or less the same as the SIPP Mr S already had. There is no information in the suitability report about the costs involved in running the Elevate ISAs compared with the RJIS ISAs.

Some of the costs involved in the arrangements were described in a separate document put together for Mr and Mrs S's benefit. This set out the charges they were paying across their

existing products (2.12%) compared with the 'fair fee' that RJIS would charge based on the service chosen. RJIS said that the existing portfolio was subject to platform fees of 0.32% but in the comparisons provided depending on whether they opted for the advisory service or the DMS, platform fees were not disclosed. I recognise that Mr and Mrs S were likely provided with the Schedule of Fees and Charges (mentioned in the suitability report) but this didn't include platform charges. RJIS has provided us with a Costs and Charges illustration, which includes 'Indirect Product/Investment costs' at 0.13%. But I'm not persuaded this includes Mr S's SIPP charges, which RJIS said were comparable with the Elevate charges. So, I don't think RJIS was being fully transparent about the fees involved in making the switch.

I haven't seen any evidence to persuade me that there was any benefit to Mr S moving his SIPP away from Elevate, other than to allow RJIS to provide its DMS through its own platform. The same goes for the transfers of the ISAs. I don't know whether RJIS could've provided the DMS across the portfolio through Elevate's platform. But if it were the case that the DMS could only be provided through RJIS's platform, then the switch of these products could have been suitable advice, provided that taking the DMS was suitable for Mr and Mrs S's needs.

The FSA's July 2012 finalised guidance on centralised investment propositions indicated how different investment solutions might suit different investors. There has also been further guidance from the Personal Finance Society. But generally, when considering whether a DMS is suitable for an investor I think it is important to take account of at least the following issues:

- Likely cost; do the overall costs justify the potential for improved performance?
- Size of funds under management.
- Investor's knowledge and experience.
- Cost disclosure; were the benefits versus the cost of the arrangement actually explained to the investor in terms they were likely to understand?

Given that Mr and Mrs S's main objective was to protect the value of their portfolio and achieve growth above inflation/deposit rates (and taking into account the funds involved and their attitudes to risk), I'm not persuaded that the DMS was suitable for them. I also think that RJIS misled them about the service provided and the costs involved and I don't think that they would've agreed to take the DMS had they truly understood what they would pay for it.

I think it is first important to consider how Mr and Mrs S's attitude to risk was assessed. Mr and Mrs S each completed a Finametrica risk assessment tool; Mr S had a score of 41 and Mrs S a score of 43 which placed them in risk group three out of seven. RJIS noted in the fact-find that risk group three would require an investment mix of 75% defensive and 25% growth. However, the agreed risk profile was noted to be four and the agreed investment mix became 50% defensive 50% growth. The suitability report explains the change was made because Mr and Mrs S required sufficient exposure to growth assets to provide the level of income they required.

Based on what I've seen so far, I'm not persuaded that it was in Mr and Mrs S's best interests to increase their risk profile and subsequently increase the risk of their investment mandate. Mr and Mrs S were retired; and although they were looking to generate returns above inflation, it seems to me that their main goal was to protect the capital they'd generated through their portfolio after taking a much higher level of risk with it over the previous few years. So, I don't think it was suitable advice to encourage Mr and Mrs S to take a higher level of risk here. I acknowledge that it may not have been possible to generate the level of income Mr and Mrs S wanted in retirement without taking more risk. But

I think that their expectations on this point ought to have been managed rather than RJIS encouraging them to take more risk. It is evident that Mr and Mrs S were open to downsizing their main residence (which I note they went on to do) and they had equity in a commercial property. So, it's possible they would in any event be able to contribute further sums to their portfolio to meet their income requirements in future.

Given Mr and Mrs S's attitude to risk and stated objectives, I think the increased cost of the DMS was unsuitable for their needs. In my view, it added an unnecessary layer of costs that had the potential to erode their investment returns, which if a low-medium investment mandate had been used were likely to be modest in any event.

I also don't think that the DMS costs were adequately disclosed to Mr and Mrs S at the time. As I said above, costs were described in a separate document which set out the charges they were paying across their existing products (2.12%) compared with the 'fair fee' that RJIS charged, depending on whether they took the discretionary managed service (2.17%) or the advisory service (1.3%). For each service it said RJIS's fee was subject to VAT and for the DMS, the document said that these figures included estimated trading costs that would be subject to ongoing market conditions. However, it seems to me that the trading costs were significantly underestimated based on the charges they were actually likely to incur. To support this view, I've seen copies of the 'Annual Statement of Costs & Charges' issued to Mr and Mrs S between March 2021 and March 2024 which showed the total charges incurred across the year and expressed this as a percentage of the average value of the portfolio during the year. The following charges had been incurred:

- March 2021: £18,062.49 - 4.21%
- March 2022: £15,661.15 - 3.58%
- March 2023: £16,893.41 - 4.51%
- March 2024: £8,083.24 - 2.41% (DMS removed in October 2023)

RJIS may say that this was a period of significant market volatility, which significantly increased the costs. However, RJIS did not explain this to Mr and Mrs S or provide any example of what this could look like. In my view, this was a significant risk of the arrangement, which could significantly affect their investment returns. RJIS failed to highlight this risk, even though it commented in the suitability report that the ongoing fund management charges applicable to their existing portfolio, averaging approximately 0.8% per annum, would impact returns over the longer term, especially if combined with periods of falling markets. The trading costs of the DMS had the potential to have a far greater impact on Mr and Mrs S's returns, but this wasn't mentioned at all.

RJIS may point to costs and charges illustration for the DMS. But this didn't line up with the information provided in the fees document produced for Mr and Mrs S that I've referred to above. This illustration seems to show that the total charges (direct and indirect) in years two to five amounted to 2%, not 2.17%. This was also shown in monetary terms based on illustrative growth of 7%, which even for a medium-risk investor was optimistic at best given the Regulator's projection rates and served to make the fees look more palatable given the overall return after fees. Another document, entitled Schedule of Fees and Charges, set out the discretionary managed fee as 1.5% plus VAT but also sets out that Trade Execution Charges and Custody Charges applied. The Custody Charge was noted to be 0.25% per year and the Trade Execution Charges were listed based on the type of investment. But without knowing how many trades RJIS expected to make on average across their portfolio per year, these figures were fairly meaningless. I appreciate RJIS could not accurately predict the number of trades that might be made as this would be dependent on market conditions. But I think it could fairly and reasonably have provided some examples so as to illustrate how these costs could affect their investment returns.

Having been provided with all of these documents, I'm not persuaded that Mr and Mrs S would've had a good understanding of the level of charges they would be paying for the arrangement they had been recommended by RJIS. I say this particularly as I'd have expected the suitability report to have included clear and comprehensive information about the charges Mr and Mrs S would incur if they went ahead with the arrangement, so that they could make an informed decision about whether or not to proceed. However, the suitability report only referred to the DMS fee as 1.5% plus VAT. And I think it's fair to say that most customers would expect to be able to rely on the information within the suitability report and that it would contain the key information. However, there was no mention of the Custody Fee, no mention of the Trade Execution Charges or any indication that the charges could be as high as 4.5% (which is what Mr and Mrs S were actually charged in the year March 2022 to March 2023). This was a significant omission and I don't think Mr and Mrs S would've accepted the recommendation to take the DMS had they known the true costs involved.

In addition to what I've said above, I don't think the suitability report provided Mr and Mrs S with balanced information about the DMS. While RJIS may say that Mr and Mrs S wanted the extra management of their portfolio that the DMS provided, I don't think that the service was described fairly. In the suitability report, RJIS gave the following reasons for recommending the DMS:

"Whilst market returns have been good in recent years, you are conscious that risk levels are elevated and have you experienced significant drawdown in the past. An advisory approach, while lower cost, does not allow for ongoing safeguarding of your funds. As you are entering a phase in your life where you will be required to draw on your portfolio to support your everyday living costs, you do not want to be vulnerable to the types of drawdowns typically suffered when market volatility returns, a risk you were more willing to take when building your retirement funds. An advisory service level saves on costs but is reactive and cannot safeguard assets effectively in rapidly declining markets."

In my view, this suggested that the only way to safeguard Mr and Mrs S's portfolio was to use the DMS because the advisory service made them vulnerable to losses in market volatility. I think they could've been influenced to take the DMS on the belief that it could prevent losses, which was obviously important to them at the time. But I don't think that was a fair description of the difference between the advisory service and the DMS. While it's true that taking the DMS could allow changes to be made to their portfolio more quickly in times of market volatility, I don't think RJIS could fairly say that the DMS safeguarded their funds.

Summary

Overall, in my view, Mr and Mrs S's key objective was to protect what they had and generate returns above inflation and I think they could've met this objective with a low-medium approach to investing. I don't think that the DMS was suitable for them given the increased costs involved, which would've most likely eroded any returns they were able to achieve by investing in line with their attitude to risk.

Given that I don't think the DMS was suitable for Mr and Mrs S, I don't think that they had any need to switch from their existing arrangements. RJIS noted that Mr and Mrs S's portfolio was invested in a manner which was not consistent with their attitude to risk and I agree that it was not unsuitable for Mr and Mrs S to try and reduce the level of risk their portfolio was exposed to at the time. In my view, this could suitably have been achieved through it simply recommending a new portfolio for them on an advisory basis in line with their attitude to risk. It follows that I think Mr S (given that all accounts are now in his name) should be compensated for loss he has experienced as a result of the unsuitable advice.

Putting things right

My aim is to put Mr S back into the position he would probably now be in but for the unsuitable advice to switch the ISAs and his SIPP and use the DMS.

I have based the compensation on Mr S's SIPP and the ISAs still being open. Mr S confirmed that they are, although they are now held with a new provider.

I think Mr S would have invested differently. It's not possible to say precisely what he would have done, but I'm satisfied that what I've set out below is fair and reasonable given Mr S's circumstances and objectives when he invested.

What must RJIS do?

To compensate Mr S fairly, RJIS must:

- Compare the performance of Mr S's investment with that of the benchmark shown below. Separate calculations should be completed for the SIPP and the ISAs. If the *actual value* is greater than the *fair value*, no compensation is payable.

- If the *fair value* is greater than the *actual value* there is a loss and compensation is payable.

- The compensation calculated above represents the difference between the value of the SIPP and ISAs transferred and the value they would have achieved if suitable advice had been given. In order to compensate Mr S for the additional lost growth on this difference, RJIS should add a return on the compensation sum in line with the benchmark I've set out below from the date the accounts were transferred to the date of my final decision.

- RJIS should also add any interest set out below to the compensation payable.

- If there is a loss calculated for the SIPP, RJIS should pay into Mr S's SIPP to increase its value by the amount of the compensation and the additional return. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.

- If RJIS is unable to pay the compensation into Mr S's SIPP, it should pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the compensation should be reduced to *notionally* allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount - it isn't a payment of tax to HMRC, so Mr S won't be able to reclaim any of the reduction after compensation is paid.

- The *notional* allowance should be calculated using Mr S's actual or expected marginal rate of tax at his selected retirement age.

- It's reasonable to assume that Mr S is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, if Mr S would have been able to take a tax free lump sum, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.

- If there is a loss calculated for the ISAs, RJIS should pay into the ISAs to increase their value by the amount of the compensation and any interest. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the ISAs if it would conflict with any allowance.

- If RJIS is unable to pay the compensation into Mr S's ISAs, it should pay that amount direct to him.

- Pay Mr S £250 for the distress and inconvenience caused by the loss to the portfolio as a result of the unsuitable advice.

Income tax may be payable on any interest paid. If RJIS deducts income tax from the interest, it should tell Mr S how much has been taken off. RJIS should give Mr S a tax deduction certificate in respect of interest if Mr S asks for one, so he can reclaim the tax on interest from HM Revenue & Customs if appropriate.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
SIPP & ISAs	Still exists and liquid	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 of transfer	8% simple per year from final decision to settlement (if not settled within 28 days of the business receiving the complainant's acceptance)

Actual value

This means the actual amount payable 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, RJIS 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.

Any additional sum that Mr S paid into the portfolio should be added to the *fair value* calculation at the point it was actually paid in.

Any withdrawal from the portfolio should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I'll accept if RJIS totals all those payments and deducts that figure at the end to determine the fair value instead of deducting periodically.

Why is this remedy suitable?

I’ve chosen this method of compensation because:

- Mr and Mrs S wanted income with some growth with a small risk to their 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 (prior to 1 March 2017, the FTSE WMA Stock Market Income total return index) is made up of a range of indices with different asset classes, mainly UK equities and government bonds. It’s a fair measure for someone who was prepared to take some risk to get a higher return.

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

My final decision

I uphold the complaint. My final decision is that Raymond James Investment Services Limited should pay the amount calculated as set out above to Mr S.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 28 October 2025.

Hannah Wise
Ombudsman