

## **The complaint**

Mrs H complains about the advice she received from St. James's Place Wealth Management Plc (SJP) recommending she take out an investment bond invested in the Conservative Portfolio.

Mrs H says the investment strategy employed by SJP didn't meet her objectives because SJP didn't employ its own fund managers, and she didn't have sufficient investment experience to choose her own funds.

Mrs H complains the bond was unsuitable because there was an early exit charge if she surrendered it in the first six years.

Mrs H also says the charges incurred have impeded the performance of her investment bond.

## **What happened**

In March 2023 Mrs H met with an adviser from SJP to discuss investing some of the money she had received from the sale of a property.

Mrs H was an existing client of SJP and her financial circumstances, objectives and attitude to risk were updated and recorded.

The adviser recommended that she take out an investment bond invested in the Conservative Portfolio with Mrs H's beneficiary named as the life assured.

The adviser issued a suitability letter to Mrs H summarising their discussions and detailing the recommendation and the reasons for it. The adviser also provided Mrs H with a key information document, an illustration, information about the costs of the service provided by SJP and information about the fund.

Mrs H took out the investment bond shortly after.

SJP says it carried out a review of Mrs H's investment In March 2024 as part of its ongoing advice service.

Mrs H doesn't agree that the review took place or that SJP provided her with ongoing advice and that is the subject of a new complaint.

In September 2024 Mrs H wrote to SJP and asked to surrender her investment bond without incurring an exit charge (or early withdrawal charge). She said she had been made aware that SJP didn't employ its own fund managers, and she considered that this investment strategy was unsuitable for her.

Mrs H complained about the exit charge associated with the bond. She asked SJP to waive the exit charge and said she considered the charge applicable at that time to be significant –

at almost 6% of the value of her investment. She also complained about the impact of the yearly charges on the performance of her bond.

SJP acknowledged Mrs H's complaint, but it didn't issue a response, so after eight weeks it informed her that she had the right to refer her complaint to our service.

Mrs H referred her complaint to our service, and it was considered by one of our investigators.

Our investigator didn't think Mrs H's complaint should be upheld. She considered the bond met Mrs H's objectives which were to invest for capital growth with the facility to take income if it was required and she noted the bond allowed her to withdraw up to 5% of the capital a year without incurring tax.

The investigator said the portfolio Mrs H invested in, provided an opportunity to achieve capital growth, and she considered Mrs H was willing to accept some risk to obtain capital growth as she had previous investment experience holding a stocks and shares ISA and a discretionary fund management (DFM) product with another company.

The investigator also considered that Mrs H had some capacity for loss as she held more than £400,000 in cash and had monthly disposable income of approximately £700.

The investigator noted the point raised by Mrs H about investment strategy. She said that SJP had different portfolios that varied based on a customer's investment objectives and attitude to risk. The investigator noted Mrs H was invested in the Conservative Portfolio and although she considered it likely that Mrs H would have been involved in the discussion which resulted in the selection of that Portfolio, she didn't think there was evidence to suggest Mrs H was expected to choose the individual funds.

The investigator considered what Mrs H had said about her age and the impact of withdrawal charges. However, she didn't think the charge was unfair or made the investment unsuitable for Mrs H, because she didn't consider Mrs H had a need to surrender the bond within six years of the initial investment. The investigator also thought the early withdrawal or exit charge was set out in the bond illustration in a clear, fair, and not misleading manner.

The investigator said that the illustration set out the charges for the initial advice, ongoing advice, annual management charge, annual bond charge and early withdrawal charge. She noted the illustration explained that the cost of charges could reduce growth in the investment by 1.9% a year. So, she considered that SJP had provided information to Mrs H about the charges in a clear, fair, and not misleading manner.

Mrs H didn't agree and said that given she was in her late eighties, there was a risk she would have to pay the exit charge in the event of her death and so the investment was unsuitable.

Mrs H also said she had felt intimidated because the meeting with SJP had taken place with two SJP staff present.

The investigator noted that SJP had given Mrs H the option to have somebody she knew present which Mrs H had declined. While she acknowledged the presence of two SJP staff in the meeting could be intimidating; she wasn't persuaded on balance that SJP had pressured Mrs H into taking out the investment.

The investigator noted that a life assured was named on the bond so that it could continue in the event that the plan holder died while the early withdrawal charge period was in force.

She said that although SJP had since announced that it planned to change the early withdrawal charge to an initial fee, the FCA had not said this type of fee was prohibited and at the time the advice was given, those were the fees that applied.

The investigator said the recommendation of a Unit Trust had been discounted because Mrs H already had a portfolio made up of ISAs and Unit Trusts using her full ISA, Capital Gains and Dividends allowances. Overall, she didn't consider the recommendation to take out an investment bond to be unsuitable taking into account Mrs H's objectives and circumstances, her attitude to risk and capacity for loss.

Mrs H disagreed with the investigator's conclusions. She said she didn't know she was tying her money up and initially thought the money would only be tied up for a year. Mrs H said she attempted to move the money after a year. She also said if she had been informed that it couldn't be accessed for more than a year then she wouldn't have invested.

As no agreement could be reached Mrs H's complaint was referred to me for review.

Further documentation was provided to Mrs H, and she was given an opportunity to respond with any further comments.

I issued a provisional decision where I didn't uphold Mrs H's complaint as I didn't consider the investment recommended was unsuitable taking into account her circumstances and objectives at the time and I didn't think the presence of an early exit charge made the recommended investment unsuitable for Mrs H. I didn't think SJP had acted incorrectly or treated Mrs H unfairly.

Both parties were given an opportunity to respond with any representations.

At around the same time Mrs H forwarded correspondence she had received from SJP which she said supported her complaint that the recommendation to take out the investment bond was unsuitable.

Mrs H responded to my provisional decision and in summary said:

- She was pressured into taking out the investment bond by SJP.
- The bond had high exit penalties and the SJP representatives knew that a no exit charge version would be available within weeks.
- SJP should have informed her it was about to change its products and advised her to wait for the exit charge-free version, but she said instead it had rushed the sale, and the advice had been motivated by generating commissions not suitability or client care.
- She said SJP hadn't treated her fairly and our service was overlooking that conduct.
- She wanted to know the qualifications and regulatory experience of the person assessing her claim.
- She questioned how the sale of the investment bond could be deemed appropriate under COBS and Treating Customers Fairly when a no exit charge product was imminently available.

SJP acknowledged my provisional decision and didn't provide any further representations.

### **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 have carefully considered the representations made by Mrs H but remain of the same view as in my provisional decision an extract of which is reproduced below and forms part of this decision.

“What I’ve provisionally 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.

To recap, Mrs H met her adviser in March 2023. She was in her late eighties, retired and owned her own home. Her income was made up of pensions and investment income totalling approximately £45,000 per year and leaving her with approximately £700 per month disposable income.

I consider Mrs H had some investment experience as she held a portfolio containing stocks and shares ISAs and Unit Trusts totalling more than £800,000.

Mrs H also had money on deposit including approximately £420,000 from the sale of a property. So, noting the amount of capital she invested in the recommended investment bond, that still left her with approximately £450,000 on deposit. I agree with the investigator therefore that Mrs H had capacity for loss and was able to take some risk with the sum recommended.

I consider Mrs H was looking to achieve capital growth and I note it was recorded that she was looking for a higher return than she was receiving from leaving the money from the property sale in a bank account. So, I consider she was willing to take some risk in order to try to achieve a better return.

The suitability letter records that:

*“You have always been a medium risk taker and want to continue this with your XXXX portfolio, but it was suggested and agreed that as you are getting older, then a further investment should have a reduced risk exposure. As you already have a portfolio of Unit Trust (which uses your dividend allowance and capital gains tax allowance each tax year), ISA's etc through a DFM and your objective is for these funds to grow within a structure form primarily potential capital growth with the opportunity if needed, to take a flexible income as capital withdrawal rather than income so that it is not taxed, then an Investment Bond would be recommended.”*

SJP’s guide to understanding the balance between risk and reward which was provided to Mrs H, describes lower medium risk as:

*“Lower-medium risk*

*You’re a cautious investor but want the value of your money to keep pace with inflation. You’re investing for at least five years. You want the opportunity of obtaining better growth in the longer term. You’re comfortable investing your money across a range of assets, including bonds and equities which may fall in value. You accept it is possible you may lose some of what you have invested.”*

I consider given Mrs H’s age and that she was already invested in another portfolio at medium risk, that a lower than medium risk was in line with her attitude to risk taking into account her circumstances and objectives and capacity for loss at that time.

Level of risk

The Conservative Portfolio is described in the product documentation provided by SJP as a lower-medium risk fund and its investment aims are described as follows:

*“Aims to provide steady growth for investments of at least five years.*

*Aims to avoid large fluctuations in value, although fluctuations in value will occur.”*

I also note that the fund included a sizeable proportion of lower risk assets such as bonds and gilts and the fund factsheet from the relevant time shows approximately 55% of the fund was invested in fixed interest assets and the fund was also invested in equities and alternative assets.

So, overall, I don't think that level of risk was unsuitable for Mrs H taking into account her circumstances and objectives.

#### Investment strategy

Mrs H has complained about the investment strategy employed by SJP.

Mrs H points out that SJP doesn't employ its own fund managers, and she says she doesn't have the relevant experience to choose her own individual funds.

I don't think there was an expectation that Mrs H would choose her funds without any advice or support. I consider that SJP recommended the Conservative Portfolio and while the decision to invest in that portfolio would ultimately have been Mrs H's, it would have been based upon the recommendation made by SJP and the reasons why it thought that was a suitable recommendation for her.

In addition, I consider it was open to Mrs H to seek further advice at a later date if she wished to review or change the portfolio she was invested in.

#### Ability to make withdrawals

Mrs H was able to withdraw up to 5% of the value of her bond per year without immediately incurring tax. I consider it more likely than not, that taking withdrawals in that way was one of the reasons for taking out this investment.

Mrs H's objective was recorded in the suitability letter as follows:

*“You intend to use your investment to invest tax effectively for potentially greater growth than your banking provider can offer you currently, with an opportunity to access a tax deferred income in the future if required.”*

And it was recorded that:

*“You will not incur an immediate personal liability to Income Tax provided you do not withdraw more than 5% of the original investment per policy year. This 5% allowance can be carried forward if not used but is subject to a maximum of 100% over 20 years.”*

So, I consider being able to make withdrawals in that way met one of Mrs H's objectives and was a reason for recommending the investment bond to her. I also note she was able therefore to access some of the capital from the bond without surrendering it and incurring an exit charge.

#### Early withdrawal charge/exit charge

Mrs H has complained that the exit charge on the investment bond made it unsuitable for her, particularly considering her age. I can see the bond had an exit charge if it was surrendered in the first six years. The charge was initially 6% and then reduced each year so that after six years there was no charge.

In the personalised illustration provided to Mrs H, it set out the effect of advice and product charges and indicated that the Early Withdrawal Charge worked as follows:

<i>"In the first year</i>	<i>6.00%</i>
<i>Reducing each year until, in the sixth year</i>	<i>1.00%</i>
<i>Thereafter</i>	<i>0.00%"</i>

I appreciate that Mrs H is unhappy with this charge and having decided in 2024, that she wished to surrender the investment she was concerned about the level of charge she would incur. However, I note that when Mrs H took the bond out in 2023, she had a significant amount of other capital available to her on deposit, so I don't think there was any reason to think she would need to surrender the bond before the six years ended in order to access the capital. I think this was instead a case of Mrs H wanting to move her capital to a different investment, as of course she was entitled to do.

I am satisfied that the exit charge was discussed and brought to Mrs H's attention as it was highlighted in the suitability letter issued by SJP which summarised what had been discussed, the recommendation made and the reasons for making that recommendation.

It said:

*"An Early Withdrawal Charge will apply to money withdrawn from your Investment Bond within six years of being invested."*

I note Mrs H's comments about her age and the need to hold this investment for five years to give it an opportunity to gain some growth and six years to avoid any exit charge. I would agree that given Mrs H's age, the exit charge could reasonably be an issue that would have an impact on suitability. However, in this case, the investment bond was set up with Mrs H's beneficiary as the life assured, which meant that in the event of Mrs H's death in the first six years, the bond could continue and wouldn't need to be surrendered. So, the exit charge wouldn't be incurred.

SJP also set this out in the suitability letter. Under the section entitled "Ownership" it explained:

*"The life assured on your St. James's Place Investment Bond will be XX (name redacted) because she is your XXX (redacted) who will be the beneficiary of these funds in the event of your death.*

*This will ensure that the investment can continue should you die.*

*I recommend the inclusion of a younger life assured as this will have no bearing on the ownership of the plan but will reduce the risk of the investment being encashed in the event of death."*

And then later under the section entitled "Involving the Next Generation"

*“We discussed the long-term nature of investments and taking your age into consideration we thought it prudent to involve XX (name redacted) in this recommendation.*

*They were unable to attend the meeting but I have spoken to them and fully explained the recommendation being made.*

*Having involved someone from the next generation in the advice process, XX has confirmed that she understands the importance of continuing with the investment in the event of your death.”*

So, I consider it more likely than not, that a discussion took place around the need to hold the investment for the medium term to give it sufficient time to have the opportunity to achieve growth and in order to avoid paying exit costs, and that including the life assured was a way to prevent the surrender of the bond at an unfavourable time and allow Mrs H to pass on the value of the bond to her beneficiary.

#### Recouping costs

I also take into account that the exit charge was a way of paying for the initial advice provided by SJP in the event that the investment was surrendered in the early years.

In the Services and Costs Disclosure Document provided to Mrs H and referred to in the suitability letter, it indicates that neither SJP's advice nor products are free. Under a section entitled “How our advice is paid for” it explains that the costs of its initial advice and ongoing advice are paid for out of the investment and the specific amount of the advice charge is set out in the personalised illustration.

In the personal illustration document provided to Mrs H it expressly referred to the charges and said:

*“How much will the advice cost?*

*Our advice is not free.*

*The cost of the initial advice and our services will be £15,750.00.*

*This is 4.50% of the investment shown. This cost covers all of our expenses incurred in providing, checking and guaranteeing the suitability of your advice. The remuneration of your Partner's practice is only one element of this cost, from which they meet their own business expenses.”*

SJP were providing Mrs H with a service namely the work it completed meeting with Mrs H, discussing her circumstances and objectives, carrying out research and making a recommendation. So, I don't think there was anything incorrect in charging for that service, or that SJP treated Mrs H unfairly by doing so.

I don't think it was incorrect or unfair therefore for SJP to recoup its initial advice charge in the event of an early surrender because it hadn't been paid for the advice at outset. The alternative was to charge Mrs H an initial advice fee or deduct that fee from the amount to be invested. So, if there hadn't been an exit charge, Mrs H would still have had to pay for the advice.

There was also an initial product charge of 1.5% so I am satisfied on balance that the exit

charge additionally sought to recoup the setting up costs for the investment bond in the event it was surrendered at an early stage.

As I have said, I consider that when this investment was taken out the exit charge was made clear to Mrs H, and I consider SJP was entitled to charge for the initial advice and service it provided to Mrs H and the costs of setting up the investment. So, I am satisfied that this was a way of recouping those costs in the event the investment was held for a short period, rather than paying for the advice at the outset or deducting the advice charge from the capital to be invested.

And for the reasons I have already outlined, I don't think the inclusion of an exit charge made this recommendation unsuitable for Mrs H.

#### Alternative products

Mrs H says SJP should have recommended a Unit Trust instead of the investment bond so she wouldn't have been subject to an exit charge.

I think the issue of Unit Trusts was discussed with Mrs H and discounted because she already had a portfolio including a Unit Trust and ISAs and those were using the relevant allowances: Dividend, Capital Gains Tax allowance and ISA allowance.

In the suitability letter it was recorded that:

*"As you have existing ISA's which are auto-ISA 'ed each tax year and also have a taxed plan which fully utilises your CGT annual exemption each tax year, the Investment Bond is the next best tax-efficient vehicle, and the Conservative Portfolio is the only portfolio which offers potential capital growth with a lower medium risk strategy at this time."*

In addition, as I have said, the investment bond allowed Mrs H to take withdrawals flexibly and not incur income tax at the point of withdrawal provided she remained within the annual limit.

So, I consider this was a potential advantage as it gave Mrs H some flexibility to increase her income in a tax-efficient way.

Overall, I am not persuaded on balance therefore that the recommendation to take out an investment bond was unsuitable even though there were other investment products available.

#### Meeting with SJP

I can see that SJP recommended that Mrs H have a family member or friend present during the advice process, however she declined, which of course she was entitled to do.

I can also see that SJP involved Mrs H's beneficiary in the advice process in that it contacted the beneficiary and explained the recommendation and the option to carry on with the investment in the event of Mrs H's death. So, I think SJP took measures to try to ensure Mrs H was supported.

I think the intention behind having a second SJP staff member in a meeting with Mrs H was the adviser wanted to ensure that it was appropriate to continue to the advice and



recommendation without a family member or friend present, by consulting with another colleague. I don't think the intention was to make Mrs H feel intimidated although I acknowledge she has explained she felt intimidated by the presence of a second member of staff.

I also note that there was a period of almost two weeks between that meeting and the investment bond being taken out, so there was time for Mrs H to consider her position and change her mind if she was unhappy with the advice.

### Charges

Mrs H complains that ongoing charges have eroded the performance of her bond.

Mrs H has incurred ongoing charges; namely the annual management charge and bond charge. I can see these were set out in the illustration and so I think it was made clear to Mrs H that the investment would incur ongoing charges. These are charges levied to pay for the management and administration of the investment bond and the investments within it. I don't think it was incorrect or unfair therefore for SJP to implement those charges.

I also note the suitability letter clearly indicated that information about the charges could be found in the illustration, so I think SJP clearly signposted where that information was available.

### Impact of charges

The level of charges is a relevant factor when considering whether to take out an investment because the higher the charges, the greater the impact on the return an investment can make. However, the level of charges, does not of itself, indicate what return the investment will make.

I agree with the investigator that the impact of SJP's charges on the return the investment might make was highlighted in the illustration, which explained that the impact on the return would be a reduction in growth of 1.9% a year. And I note that the suitability letter expressly referred to the illustration at the beginning of that document where it referred to documents provided to Mrs H and said:

*"Illustration – which explains the impact of charges on your investment based on the funds you are invested in."*

I note that Mrs H has referred to annual charges of 2.1% in her complaint and I can see from her annual statements that when the fund transaction costs are also included, it has increased the effect of charges to 2.1% and 2.2% respectively each year.

I don't think that transaction costs are unusual or invalid costs, and I don't think that addition of 0.2 to 0.3% to the overall effect of charges is significant enough to have caused Mrs H to have made a different decision about taking out the investment bond.

So, overall, I consider the ongoing charges that would be applied to her investment, and their impact were made clear to Mrs H and I don't think those charges made the recommendation unsuitable.

### Ongoing advice charge

SJP also charged Mrs H an ongoing advice charge which was for advice it would give on a

regular basis to ensure that her investment, and the portfolio it was invested in, remained suitable for her. I note that charge was specifically referred to in the suitability letter and I don't think the charge, of itself, rendered the recommendation unsuitable.

I note SJP has provided a review letter issued to Mrs H by her adviser in March 2024, detailing a review meeting that took place a few days before.

Mrs H has recently indicated (having been provided with a copy of that review letter by our service) that no face-to-face review meeting took place and that she did not recall any such meeting, phone call, or zoom appointment or conversation that covered the content in the review letter. After we contacted her to clarify this, Mrs H confirmed that she was saying no review took place in March 2024.

I consider this to be a new complaint as it is the first time Mrs H has raised this issue, of not receiving the ongoing advice service, albeit Mrs H has complained about the impact of charges generally on the performance of her bond.

Mrs H has also said that she did not receive any "genuine advice," proactive contact, or review of her financial circumstances from SJP and has asked for her ongoing advice charge to be refunded.

We have therefore referred this point to SJP for it to respond. As this is a new point of complaint which SJP will need to investigate, and noting Mrs H's concern that we address the issue of the exit charge and suitability of the recommended investment so that she can surrender her investment, I am issuing this provisional decision which is about the original complaint made by Mrs H and the ongoing advice service issue will be looked at separately. As I have said, that is a new matter which has been referred to SJP for it to investigate.

#### Instruction given by Mrs H

Mrs H has explained her wish to surrender her investment bond and has said that SJP has failed to carry out her instruction.

Having carefully considered the correspondence sent to SJP by Mrs H, I think Mrs H provided SJP with a qualified and conditional instruction – namely I would like to surrender my investment bond without incurring an exit charge. So, while I appreciate that Mrs H wanted to surrender her bond, I don't think it is incorrect or unfair that SJP hasn't carried out the conditional instruction it was given, because under the terms of the bond it is entitled to deduct an exit charge in the event of surrender within the relevant period."

I would like to address the points raised by Mrs H in response to my provisional decision.

Mrs H has referred to and provided a copy of correspondence she recently received from SJP. She says it supports her complaint that SJP gave her unsuitable advice. However, the time period referred to in that correspondence is from 2018 to 2022, so I don't think it applies to the investment bond that is the subject of this complaint, as the bond was taken out in 2023. I think that correspondence applies to a different investment product, and I therefore consider it is of limited relevance. So, I don't intend to comment on its content any further.

Mrs H has referred to the FCA's Conduct of Business Sourcebook (COBS) rules and the FCA's principles and guidance in respect of treating customers fairly. In considering the circumstances of her complaint I have considered whether SJP treated Mrs H fairly and whether it provided clear information about the investment product it was recommending including the presence of an exit charge and the reasons for the recommendation it made.

Mrs H has reiterated that she was intimidated by having two members of SJP present at a meeting and says she felt pressured into taking out the investment bond.

As I have set out in my provisional decision, I don't think the intention behind having two members present at the meeting was to pressurise Mrs H. The suitability letter confirms that Mrs H didn't want a family member or friend present. On the first page of that letter, it says:

*"I did insist that you have accompaniment, as at our last meeting, my line manager attended and he was really happy that you are able to make all your own decisions and this hasn't changed so as you were insistent to see me on your own this time, I was comfortable with that."*

And SJP has explained that the second member was there to check that it was appropriate to go ahead without anybody present on Mrs H's behalf. I also note that SJP contacted Mrs H's beneficiary by telephone during the advice process (having asked Mrs H's permission) so I think there was also some involvement of an independent third party who could give Mrs H support if required.

I also note that there were some gaps between the meeting taking place in March 2023, the issuing of the suitability letter and the commencement of the investment product in April 2023. So, I think there was some time for Mrs H to consider whether she wished to go ahead with the recommendation. In the suitability letter SJP outlined its recommendation and what would happen next:

#### *"Next Steps*

*Please find enclosed my recommendation and once agreed I will forward your application for processing meaning you should receive confirmation of your investment shortly."*

So, I think that meant the application would only go forward if Mrs H agreed that was what she wanted to happen.

Mrs H also says that SJP should have told her to wait for the exit-charge free option. As the investigator has set out, SJP didn't announce the change in its charging structure until October 2023 – so approximately six months later. And that change wasn't due to come in until the second part of 2025. So, I don't think it was a matter of waiting for a few weeks.

In addition, any wait would have meant that Mrs H's capital wouldn't have been invested for that period so if SJP had suggested Mrs H wait, she could have potentially lost an investment return.

The other point to consider here is that "exit-charge free" doesn't equate to not being charged any fee. As I have said the alternative was for Mrs H to pay for the initial advice she received from SJP and the setting up costs from other income or capital, or from the capital sum to be invested.

Overall, I don't think SJP treated Mrs H unfairly because I think it made her aware of the exit charge that applied to her investment bond in the first six years. I am satisfied that it is more likely than not, that it made her aware of when the charge would apply and the rate of the charge which was a percentage of the value of her investment. I also note that that percentage reduced over the time the investment bond was held, so the longer the bond was held the lower the percentage and information about the charge was set out in the documentation provided to Mrs H.

### **My final decision**

My final decision is that I don't uphold Mrs H's complaint against St. James's Place Wealth Management Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 4 December 2025.

Julia Chittenden  
**Ombudsman**