

## **The complaint**

Mr M complains that Principle Financial Services Ltd, an appointed representative of New Leaf Distribution Limited (New Leaf), gave him unsuitable investment advice.

As New Leaf are responsible for those activities, this complaint is about it and for ease any reference to New Leaf in my decision includes Principle Financial Services Ltd.

## **What happened**

Mr M first met New Leaf in February 2021 to discuss investing some of the money he'd received from a pension drawdown. New Leaf completed a fact-find and risk assessment with him which led to it recommending he invest £40,000, which at the time was held in a cash ISA, taking a 'high medium' level of risk across two investment funds through a stocks and shares ISA.

Shortly after the investment was implemented Mr M became concerned with the level of performance he was seeing. He raised this with New Leaf who explained it was early into the investment and as he was investing for the long term – 6 to 10 years – it was too early to make reactive changes to his investments.

Again in 2023 Mr M raised concerns with the performance of his investments which led to him making a complaint. He told New Leaf that he thought the advice it gave him hadn't been suitable as it had exposed him to a greater level of volatility than he was comfortable with. He later instructed New Leaf to surrender the investments within this ISA on 10 March 2025.

New Leaf considered his complaint but didn't think it should be upheld. In its view Mr M's concerns were caused by the wider difficult period for the markets rather than the advice it gave, which it said was suitable.

Mr M didn't agree and so asked our service to look into what happened. One of our Investigators reviewed the matter and upheld it. In his view the investments New Leaf recommended exposed Mr M to more risk than he was willing to take, and as he had limited previous investment experience it was unlikely he would've understood the risk level recommended.

Our Investigator suggested New Leaf should compare the performance of Mr M's investments to how they would've performed against a benchmark and to pay him £200 for the worry the losses he saw caused him.

Disagreeing with our Investigator, the firm argued that the risk level it advised Mr M was consistent with the answers he gave to questions about risk. It also explained it was only advising that risk level on that pot of money, and that in any event his overall uninvested wealth and property reduced the risk he was exposed to and that the risks had been set out clearly. New Leaf also explained the funds recommended were suitable for those looking to take the level of risk it considered suitable for Mr M. It also noted that Mr M hadn't asked to

reduce his risk level in later advice meetings and had retained the investment after the complaint was made.

Mr M, having seen a copy of New Leaf's response to our Investigator's findings, wanted to add his thoughts that the firm had overstated his wealth and therefore the proportion this investment represented.

Our Investigator didn't see to change his view on the complaint and as an agreement wasn't reached, Mr M's complaint was passed to me to decide. I issued a provisional decision as while I thought the complaint should be upheld I reached a different view to our Investigator on how New Leaf should compensate Mr M.

In that provisional decision I said:

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

*The facts of this matter are well known to both parties and my summary of the background intentionally doesn't include everything that has happened, or that's been said. I do so only for the sake of brevity and will focus my decision below on what I consider to be the key matters at hand to the outcome of the decision I intend to reach. I mean no disservice by doing so, it merely reflects the informal nature of our service, but I assure the parties I've reviewed everything put to me for consideration.*

*Having done so, I intend to say the advice New Leaf gave on this occasion was unsuitable because of the risks it exposed Mr M to were beyond what he was willing to take and understood. I'll explain why.*

*When providing Mr M with advice, the relevant rules as they were at the time – COBS 9A – in summary required New Leaf to ask Mr M questions about his investment objectives, knowledge and experience of investing and his circumstances. It would then need to use that information in making a suitable recommendation to him about how to invest.*

*In collating the necessary information New Leaf completed a fact-find with Mr M, jointly with his wife who it was also advising. The pertinent information recorded within that document about Mr M was:*

- *He was married with two children, one who was dependent on them.*
- *Employed with plans to fully retire at 60.*
- *Was in good health*
- *Received an annual income from a pension and through work of around £50,000.*
- *Had a joint monthly net disposable income of £4,191.33*
- *Investment objectives of capital growth – but no information about the level being sought.*
- *Had the following assets:*
  - *Joint ownership of his home, with that property being worth around £270,000 and under a mortgage.*
  - *£4,000 in jointly held current accounts.*
  - *£95,000 in solely held current accounts.*
  - *£40,000 in his cash ISA – the money to be advised on.*

*A risk assessment was also completed, the answers of which led New Leaf to consider Mr M was someone who wanted to take a 'High Medium' level of risk with his*

investments. In reaching that Mr M answered the following 15 questions to help New Leaf determine his attitude to risk. These were as follows:

Question	Your responses
1 To achieve financial success, I would take financial risks	Neither agree nor disagree
2 I would take more financial risk if there was a chance I could make a lot of money	Neither agree nor disagree
3 I am the kind of person who takes financial risks	Neither agree nor disagree
4 I prefer certainty about the future value of my investments, even if it means making less money	Agree
5 Rises and falls in the value of my investments would not worry me	Agree
6 If the value of my investment fell, even for a short time, it would concern me	Disagree
7 I would generally avoid investments whose values rise and fall over time	Disagree
8 I would frequently choose investments offering a steady return rather than those which could rise a lot in value	Agree
9 Missing an investment opportunity concerns me more than making a loss	Agree
10 I care more about avoiding losses than making money	Agree
11 Taking financial risks causes me a lot of stress	Neither agree nor disagree
12 I would regret deciding not to take a risky investment opportunity if it then performed well	Agree
13 When considering investing, I would describe myself as:	Cautiously optimistic
14 The term I most closely associate with financial risk is:	Opportunity
15 The statement about risk-taking that best describes me is:	I sometimes take risks

New Leaf says the following about its “High Medium” risk banding:

*“A 'high medium' risk profile shows that your willingness and ability to accept investment risk is slightly above average. A portfolio that matches this risk profile is likely to experience some significant rises and falls in value. So while there is good potential for returns from your investment to match or go above the rate of inflation (in other words, the rate at which the prices of goods and services rise), you also need to accept that your investment is likely to fall in value from time to time, particularly in the short term.*

*A portfolio for this risk profile is most likely to contain mainly medium- and high-risk investments, including Sterling corporate bonds and global bonds including higher income types as well as Property and shares. The shares are expected to be held mainly in the UK and other developed markets, but there is also likely to be some in higher-risk emerging markets. As a result, you should always check that you are comfortable with what's included.”*

*New Leaf says its assessment was completed using a third party risk profiling tool commonly used in the industry. I don't have objections to it using such a tool, but it needs to consider the wider circumstances for the individual client at hand, here Mr M. The regulator has issued guidance around the use of these tools, which includes its*

*thoughts that while they are useful indicators they may not always provide the right answer. In my view then while such tools can be useful and help support conversations and conclusions about risk, the adviser is still responsible for considering the overall and wider circumstances at hand when concluding a suitable level of risk.*

*The suitability letter refers to “detailed discussions” taking place, but no notes or evidence has been provided to demonstrate what was discussed outside of the advice documentation provided, and importantly how New Leaf approached matters such as his limited investment experience. In Mr M’s situation I think New Leaf ought to have reflected on the information it had about Mr M more than it did. And if it had, the only reasonable conclusion in my mind is that the ‘high medium’ risk profile being advised to him would be exposing him to more risk than I think he was willing to take to meet his objectives.*

*I say this because what stands out for me from the above is the number of neutral answers and some contradictions across some answers. For example, the above taken as a whole says that Mr M was both more concerned about missing an investment opportunity than making a loss but also caring more about losses than making money. He also reveals that he only sometimes takes risks which indicates someone with a lower risk tolerance than New Leaf considered him to be. New Leaf may rightly say here, as it has said to our Investigator, that it wouldn’t be fair and reasonable to make judgements about risk based on the answers to specific questions from the questionnaire. To clarify, I’m not doing that here, I’m merely highlighting inconsistencies and factors which in my view ought to have caused New Leaf to question further the level of risk the tool it was using was suggesting and it was advising Mr M to take.*

*But beyond the questions and answers to that assessment, New Leaf had other pertinent information about Mr M, key being that he had essentially no previous investment experience. The previous experience was recorded from him by New Leaf was that he had cash based savings products and previously a small amount of shares gifted to him by his mortgage issuer many years ago. He then had almost no experience of the risk of financial losses from investing that New Leaf was recommending he take. For the shares that were gifted to him he says those were sold for a profit and his previous reliance on cash savings suggest someone who was rather risk adverse and was only now looking to take some risk to meet his saving objectives.*

*Given this lack of experience, it is also unlikely in my view he would’ve been able to reasonably understand the impact of what can contribute to the recommended level of risk. For example, which is relevant here and I’ll come on to, is the higher risks involved when investing in overseas assets and the impact currency fluctuations have on the returns from those. It’s also reasonable to take into account, without further evidence of what New Leaf knew about Mr M’s growth objectives, that Mr M was investing money which came from a pension drawdown. New Leaf hasn’t evidenced what it understood about Mr M’s objectives beyond simply looking to grow capital. Given the source of this money, I think it would be unlikely he was willing to take the level of risk New Leaf was recommending he take with it.*

*With the information New Leaf knew about Mr M then I’m not persuaded it reasonably considered him to be someone who had an above average risk tolerance that its definition suggests or that he wanted to invest in mainly medium a high risk assets, his circumstances in my view aren’t in line with such a description of investor looking to take the level of risk New Leaf was recommending.*

*I appreciate New Leaf, as it has said it did, provided Mr M with information about the risks involved but providing those alone doesn’t in my view mean Mr M was then ready*

*and willing to take the risks it was recommending. New Leaf has also said that Mr M gave up on his investments too soon given the time horizon it advised him to invest across was much longer than Mr M held his investments for and so wasn't able to see if performance would improve. I understand the point being made but in my view just because the performance could've improved in the future doesn't mean that the investments recommended to Mr M were suitable for him, given the higher level of risk they exposed him to than I likely think he was comfortable with.*

*I have also considered how it invested his money, in case for example the assets it advised him were in fact in line with his likely risk tolerance. In doing so, I've thought about the two funds New Leaf recommended for Mr M, the Baillie Gifford Managed Fund and the Liontrust Sustainable Future Managed Fund. In my view how Mr M was being advised to invest across those exposed him to more risk than he was willing to take or would likely have reasonably understood. I say this because both of these funds aim to earn capital growth through a higher equity allocation, both following a minimum guide of 60%, with a high proportion of those assets being overseas, with lesser amounts within the UK, 20% for the Baillie Gifford fund and 30% of the Liontrust fund. Given these funds have a focus towards equities and in particular overseas holdings, I don't think the advice that Mr M invested equally across both these assets was suitable for him given his lack of experience and the level of risk I think he was willing to take when investing this money.*

*To be clear in saying that, I'm not saying New Leaf was wrong to recommend those funds if it had correctly considered Mr M to be a "High Medium" risk investor. As I've said above I consider the level of risk Mr M wanted to take was likely lower than New Leaf recommended, and that is what I've considered its advice to invest these two funds against.*

*New Leaf says the overall wealth of Mr M's household, which includes cash and the value of his home, dilutes the level of risk he was being advised to take in any event. I have my reservations about the accuracy of some of the values New Leaf has recorded in Mr M's fact-find for his household's assets held at the time. In particular it appears to have double counted £20,000 where it looks to have been counted in both the ISA account and Mr M's larger balance current account. This appears to stem from the valuations for each of those being taken in different months. When read alongside the statements I've been provided with, I think this shows £20,000 moving from his current account to his ISA within that time, leading to that amount being accounted for twice.*

*I also have concerns that it hasn't been evidenced Mr M was asked about his future plans given what he's said he did with the remainder of that money. This part of the fact-find required a positive or negative answer but was left unanswered indicating New Leaf hadn't asked it. Mr M says his spending of most of the uninvested cash included a significant amount of home improvements and general spending for his family. It's unclear what the firm was told, or if Mr M actually had those plans at the time, but I mention here in passing for completeness and to invite further responses from both New Leaf and Mr M around this point, in case that should end up being a decisive part of this complaint.*

*But in any event, on balance even with the left over uninvested assets I consider Mr M's household had, i.e. taking into account the double counted £20,000, I think it's likely the overall risk he was exposed to remained too high for what he was willing to take, and what he likely would've understood. It carries more weight in my view that he was an inexperienced investor investing proceeds from a pension where any above average loss of those funds would likely have a significant detriment on his future financial position. I understand the point New Leaf is making but in my view this is a case of the*

*risk mandate from the outset being incorrect rather than say a reasonable risk assessment but investment of too much money being advised where its argument tends to be more applicable to.*

*It follows then my intention is to say that New Leaf advised Mr M to take too much risk with the investment strategy it recommended, and so the advice it gave was unsuitable. And in doing so may have caused Mr M financial loss.*

**Fair compensation**

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

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

**What should New Leaf do?**

*To compensate Mr M fairly, New Leaf must:*

- *Compare the performance of Mr M's investment with that of the benchmark shown below and pay the difference between the fair value and the actual value of the investment. If the actual value is greater than the fair value, no compensation is payable.*
- *New Leaf should also add any interest set out below to the compensation payable.*
- *Pay Mr M £200 for the upset and worry caused by seeing the value of his investments fall as they did.*

*Income tax may be payable on any interest awarded.*

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

**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, New Leaf 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 M paid into the investment 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 New Leaf 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 have chosen this method of compensation because:*

- *Mr M 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 (prior to 1 March 2017, the FTSE WMA Stock Market Income total return index) is a mix of diversified indices representing different asset classes, mainly 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 M'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 M into that position. It does not mean that Mr M 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 M could have obtained from investments suited to his objective and risk attitude.*

*Our Investigator recommended the loss was to be calculated fully through the FTSE UK Private Investors Income Total Return Index. I've reached a different conclusion, that this should be calculated half in that index and the other half against the average rate from fixed rate bonds. This is because I think that's likely more reflective of sort of return someone of Mr M's risk tolerance would be looking to take with his investments as a first-time investor than using the FTSE UK Private Investors Income Total Return Index alone, which would tend to be more appropriate for considering those with a higher risk outlook than Mr M."*

Mr M responded to my provisional decision to accept the findings I made and to provide further information about the plans he had, and implemented, for the remainder of his cash holdings.

New Leaf responded to explain it didn't agree. It said, in summary, this was because:

- My provisional decision contained material factual misunderstandings and misapplication of evidential weight.
- That it had fairly assessed Mr M's risk tolerance and that my interpretation of the evidence wasn't reasonable.
- I hadn't properly considered that Mr M had consented to the risk level he was recommended, which he'd also confirmed he understood.
- Mr M could afford the risk of investing this money in the way it advised.
- His investment experience didn't preclude him from investing in the way it advised.

As both parties have responded to my provisional decision the complaint was passed back to me to decide.

### **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 reviewed the matter again, including the responses to my provisional decision, I've not seen to depart from the conclusions I reached in my provisional decision about why this complaint should be upheld, or the basis for compensating Mr M.

New Leaf remain of the position it was reasonable to advise Mr M to take the level of risk it advised, that he understood that and agreed to it. While I don't dispute he agreed to New Leaf's recommendations, my concerns about this part of the advice remain that I think it's likely New Leaf advised he take more risk than I think he was comfortable with, for the same reasons I gave in my provisional decision.

I've considered New Leaf's comments about the level of risk it recommended Mr M and its criticism of my conclusions around that. To be clear I've considered the overall advice in determining that, not just the outputs of the risk profiling tool New Leaf used. I understand the tool balances the answers given when completing but as I explained in my provisional decision I'm not placing weight on particular answers, but the overall information New Leaf had about Mr M from its fact-finding with him and the insights his answers provided to his attitude to risk. I don't see that New Leaf's further comments require me to explain my reasoning differently and so I don't have anything to add to what I've already said about the advice being unsuitable because for the same reasons in my view that recommendation exposed

New Leaf say I haven't placed enough weight on Mr M's signed acknowledgement of the level of risk he was prepared to take and his understanding of it. To be clear I had considered this when forming the conclusions in my provisional decision. But in my view the fact-finding evidence carried more weight that Mr M had very little prior investment experience and his overall risk tolerance more likely demonstrated he lacked sufficient understanding or appreciation of the risk she was being advised, than him signing the declaration New Leaf relies on.

I've read New Leaf's comments that being an inexperienced investor wouldn't preclude it from advising Mr M to invest in the funds it did. But I don't agree, the combination of Mr M's risk tolerance along with his experience are in my view important factors that New Leaf needed to consider more than it did. And for the reasons already explained in my provisional

decision I don't find it fairly matched him with suitable funds as they exposed him to more risk than I think he was willing to take.

I'm also not persuaded that him continuing with the investment following annual reviews or positive prior comments he may have made about his adviser mean the advice could be considered to be suitable. He had instructed an ongoing advisory relationship and so it wasn't unreasonable he considered her adviser was providing her with suitable advice. Neither his inaction, or steps taken to shop around before meeting New Leaf, once that advice was implemented doesn't in my view constitute his acceptance and understanding of what I remain to consider to be unsuitable advice.

I'd also add that while the advice was given on a joint basis, the ISA it recommended and the assets to be invested within it was in Mr M's sole name. Their wider joint circumstances are relevant when New Leaf gave advice, but it still needed to ensure the advice it was giving to Mr M on the ISA it was recommending for him was suitable.

I understand I've not addressed every point and issue within New Leaf's response. But I'm satisfied those matters have been addressed within my provisional decision and don't have anything to meaningfully add to what I've already said on this matter.

Lastly neither party has objected to my change of benchmark and I remain of the view how I set out this complaint should be settled is as I set out in my provisional decision. For the avoidance of doubt that is as follows.

### **Putting things right**

In assessing what would be fair compensation, I consider that my aim should be to put Mr M 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 M 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 M's circumstances and objectives when he invested.

### **What must New Leaf do?**

To compensate Mr M fairly, New Leaf must:

- Compare the performance of Mr M'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.
- New Leaf should also add any interest set out below to the compensation payable.
- Pay to Mr M £200 for the upset and worry caused by seeing the value of his investments fall as they did.

Income tax may be payable on any interest awarded.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
ISA Portfolio	No longer in force	For half the investment:	Date of investment	Date ceased to	8% simple per year on any

		FTSE UK Private Investors Income Total Return Index; for the other half: average rate from fixed rate bonds		be held	loss from the end date to the date of settlement
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### **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, New Leaf 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 paid into the investment should be added to the *fair value* calculation from the point in time when it was actually paid in.

Any withdrawal from the New Leaf 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 New Leaf 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 have decided on this method of compensation because:

- Mr M 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 (prior to 1 March 2017, the FTSE WMA Stock Market 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 M'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 M into that position. It does not mean that Mr M 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 M could have obtained from investments suited to his objective and risk

attitude.

**My final decision**

I uphold the complaint. My decision is that New Leaf Distribution Limited should pay the amount calculated as set out above.

New Leaf Distribution Limited should provide details of its calculation to Mr M in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 December 2025.

Ken Roberts  
**Ombudsman**