

The complaint

Mr R complains about the advisory service he's received LCM FAMILY LIMITED on his investment portfolio. He says there have been failings in the service provided relating to tax liabilities, the expected returns at exit, unauthorised transactions and he has been exposed to high-risk investment volatility causing him losses.

What happened

Since 2017, LCM has provided a managed advisory service to Mr R on his investment portfolio. He originally invested around £2m.

In October 2023, Mr R made a complaint about LCM. He raised various points in relation to the service he'd received during the period LCM was his advisers.

LCM responded to the complaint but didn't uphold it and defended the service it had provided. Mr R didn't think the response adequately covered his concerns about tax liability, high-risk investments being added to his portfolio, LCM's failings in the exit strategy for his portfolio, and the lower-than-expected overall performance of the portfolio. In January 2024, Mr R referred his complaint to this service for an independent review.

One of our investigators looked into the complaint but didn't think it should be upheld. Mr R didn't agree with the investigator's findings and requested an ombudsman reaches a decision on the complaint.

I issued a provisional decision in October 2025. This is what I said:

"I'm satisfied the crux of the complaint relates to the advice Mr R has received from LCM when managing his portfolio. The key aspects of this relate to the tax implications and the level of risk he was exposed to through the advice. So, I will focus my findings on this, but I will also consider the additional points raised in relation to the termination of the agreement with LCM and how it communicated with him.

Mr R is concerned that the advice he received from LCM failed to consider tax implications. He says he was advised that his investment income would be free of tax, but this has not been the case as he has incurred approximately £67,000 in tax. He says he can't find a letter from LCM to show the advice given relating to tax.

From his submission it appears Mr R understood that he wouldn't pay any tax on the portfolio. So, he was concerned to find out that he still had a tax liability from his portfolio including CGT on gains made on specific investments. As he wasn't expecting this and sees it as a reduction in his overall annual income, he's requested LCM refund the tax paid.

LCM's position is that it doesn't agree Mr R was originally advised that the investments wouldn't attract tax and he has paid taxes from inception. It also says Mr R had awareness that he may have a potential tax liability, and this is evidenced by the communications involving his tax consultants throughout the period it was his advisers.

I've reviewed the original proposal prepared by LCM for Mr R. This doesn't make specific reference to tax, or specifically that LCM told him he wouldn't incur any tax liability from his portfolio. I also haven't seen any other documented evidence to indicate LCM gave assurances that there would be no tax payable from the portfolio. The emails I've seen that were sent to Mr R also don't mention that the investments being recommended would not incur any CGT should they provide a profit. There is also evidence in emails sent by LCM that it was liaising with Mr R's tax consultants to help with the calculation for his annual tax return. For example, I've seen emails to show tax reports were sent to Mr R and his tax consultants for the years 2018 onwards. I understand the CGT liability Mr R has incurred is as a result of the relative performance of some of his investments leading to gains being made.

I accept, Mr R's expectation was that he wouldn't incur tax, and he was disappointed to find out he had tax to pay on gains on investments that had been disposed of in the portfolio. But I'm not persuaded the evidence supports that he was misled or the advice was unsuitable. It follows that I don't find that LCM is responsible for covering the tax Mr R has paid.

The other main issue Mr R has complained about is the level of risk the portfolio presented. He is particularly concerned that he never agreed to anything high-risk to be included – but has since discovered that some investments suffered total loss. He says this means his portfolio wasn't consistent with his attitude to risk, which LCM recorded as "below average or cautious to optimistic".

LCM say the original investment proposal stated some of the investments are high risk but the portfolio in totality was below average risk. Essentially, it says the balance of assets held within the portfolio meant it remained in line with Mr R's attitude to risk.

The original proposal records Mr R as having the capability and experience to accept high levels of risk, but it was agreed for the purpose of this proposal his tolerance for significant capital loss was below average or cautious. It provided details of different investments to make up the portfolio and explained the risk level individually and set out where capital was secure or at risk.

When considering the level of risk presented by the portfolio, it is clear that LCM was presenting a balance of different investments to meet Mr R's overall objectives (to provide growth and income). I don't find the inclusion of higher risk investments to mean the advice must be unsuitable. These investments made up a relatively small proportion of the overall portfolio, with the majority of investments having capital security as a feature. I also don't think it is useful to consider individual investments in isolation, when looking at the overall risk profile of a portfolio, and a holistic approach is needed to give balance. For these reasons, I haven't found that LCM recommended a portfolio that was unsuitable for Mr R's risk profile.

I note Mr R has a specific concern about an investment that suffered a total loss in November 2022. LCM has confirmed a CITI investment suffered a full loss. But it says it repaid Mr R 80% of this loss by way of a fee refund. It has provided evidence of the refunds being made directly to Mr R's account between October 2023 and April 2024. The total amount refunded to Mr R's account was £59,961.50, from an original investment of £74,923.50. It says it addressed this investment for all clients as it felt it was an investment that it could have done better for them and so re-imbursed all clients up to 80% of the value. While I haven't found that the advice to recommend this investment was unsuitable when looking at the overall portfolio, I do find LCM has taken a fair approach by agreeing to make this partial refund to Mr R. So, I don't think it needs to do anything further in this respect.

Mr R also raises concerns about LCM making unauthorised transactions after he requested all future investments should cease in May 2020. It isn't in dispute that this request was made and accepted by LCM, but it says that this was rescinded in October 2020 during a meeting between Mr R and his adviser. Mr R disputes there was a reversal of the position agreed.

From the information provided, it does appear that there were several investments made after May 2020 into the portfolio. While there is uncertainty about whether Mr R agreed to these investments, I understand that he has had his capital returned from these investments through sales in the wind up of the portfolio. But I note the M&G investment that suffered a loss. LCM has confirmed it provided an undertaking for this investment, and it repaid him this capital in full in 2024 despite the performance of the investment. So I don't think it is appropriate to ask LCM to cover any further financial loss from these investments.

I accept that LCM's communications haven't always been as clear and timely as they should have been and this has left Mr R having to spend time raising queries and chasing responses. There are some mitigating factors that impacted LCM's communication with Mr R. I recognise that staff illness was a factor in the service that LCM was able to provide. Though it has meant it wasn't always made clear to Mr R what was happening with his investments. This is particularly relevant after Mr R requested no further investments were made in 2020. From the information I've seen there does appear to be a breakdown and a lack of clarity about how the portfolio was being wound up. The explanation provided by LCM around this isn't very clear on how it happened and what led to it repaying Mr R. He was clearly upset to find out further funds had been invested that were lost (although acknowledging the capital was later repaid). LCM has also admitted to making a transaction without authorisation in September 2019 (although it says this was repaid with a profit).

Overall, I think there have been service failings, which have impacted Mr R in both a practical and emotional way. So, I think LCM should pay Mr R compensation to reflect this. In my view £400 is a fair amount of compensation to recognise the impact of the service failings.

Lastly, I note that LCM decided to end its agreement with Mr R. He has raised concerns that this has left him without an adviser. LCM explained it felt by late 2023 the relationship had irretrievably broken down and as Mr R had been engaging with another firm (whom with which LCM had been supplying information about the portfolio), he did have another adviser to support him.

I acknowledge that either party is able to end an advisory relationship. It does seem that Mr R did have significant concerns about the service he was receiving from LCM. So, I don't find it completely surprising that the agreement was ended. I'm not persuaded that LCM made an error here or treated Mr R unfairly when it decided to end the advisory service. It is disappointing when a relationship between a client and firm breaks down, but I don't think this in itself means someone is at fault. For these reasons I don't think LCM needs to do anything further in this respect."

Mr R responded and provided further submissions for me to consider. In summary he said:

- In respect of the failed CITI Investment and alleged refund of £59,961.50 by LCM, he questions the receipt of the refund as he hasn't seen evidence of such payments. When his account was terminated by LCM in December 2023, he received a final statement, no fee refunds are indicated on that statement. He requested clear documentary evidence of the refund. At no point has LCM raised this investment loss with him, or the alleged credit fees. He would have raised this if he was aware and demanded a full refund.

- The custodian provided confirmation of a 'Lapsed Rights' on this investment, so it appears the £75,073.50 loss resulted from LCM's failure to act within an investment deadline. He sees this as an extreme high-risk investment 'tantamount to gambling in a casino' and the loss appears to have been entirely avoidable had the portfolio been professionally managed. He therefore believes LCM should compensate him for the full amount of this loss.
- In respect of the taxation matters, he has always relied on professional advice for tax and investment matters, his accountants handling all tax calculations and also advice on the appropriate tax payments to make. At the outset, LCM verbally advised him that his investments would not attract tax, as they were funded from income on which tax had already been paid. This advice has since proven incorrect, resulting in significant tax liabilities. Despite repeated requests relating to tax, LCM has provided no written documentation confirming this advice. The tax guidance provided was a key factor in his decision to invest with LCM, and this has materially affected his financial position.
- He has broader concerns regarding LCM's conduct and overall management of his portfolio and the unacceptable level of risk to which the portfolio was exposed. Despite his clear instructions to terminate certain high-risk structured products, further investments were made without his consent. At no point did he rescind the decision to terminate as suggested by LCM. He's aware one such investment was later repaid at the original amount, and he was understandably relieved by this repayment, bearing in mind his retirement funds were exposed to unauthorised extreme high risk which produced no return.
- LCM is not a small one-man band company; therefore it was unacceptable to experience extended periods of no communication. Given the scale of funds involved, this lack of communication caused him considerable stress over and financial uncertainty. In addition, the ongoing lack of transparency surrounding both the CITI and other losses has caused considerable distress and taken up a great deal of his time.
- The proposed £400 compensation payment to close this matter is, in his view, wholly inadequate in light of the total loss from the CITI investment, the additional tax liabilities incurred and the significant fees paid to LCM during the investment period.

LCM responded. It confirmed Mr R was refunded 80% of the CITI investment, which equated to £59,938.80, and the refund was made directly to his account with the custodian. It provided statements to evidence this. It also confirmed this investment matured in September 2022, and the technical term for a warrant maturing is for it to lapse. It said the scenario was the underlying asset was far below strike and had negligible value so there wasn't anything to sell to CITI. Lastly, it said it had provided a number of other services to Mr R (outside of managing his portfolio). This was done as a gesture of goodwill so it thinks the additional £400 compensation is unfair.

Mr R commented on the statement evidence provided to show the 80% refund on the CITI investment. He said the statement indicates various credits, but they aren't described as 'fee credits' and there are other several similarly described credits from LCM that relate to income received from his investments. So he questions whether the payments are fee refunds, and instead income payments from his investments.

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've re-considered everything in light of the responses I've received to my provisional decision. But I haven't found reason to alter the findings I set out.

I remain of the view that LCM isn't responsible for the tax liability Mr R has incurred from his portfolio. I acknowledge he wasn't expecting to incur tax to the amount he has from his portfolio. But as previously explained, I haven't seen that LCM told him his portfolio would be free from all tax. I acknowledge that Mr R maintains he was told that his investments would not attract tax, as they were funded from income on which tax had already been paid. But the tax he has incurred is as a result of gains made on investments. I haven't been persuaded, by the further points made, so my finding remains as set out in my provisional decision.

I also restate my finding that I haven't found Mr R's portfolio overall was unsuitable for his risk profile. While he has highlighted specific investments which didn't perform as expected as evidence that the advice was unsuitable due to higher risk investments being recommended, I don't agree looking at these investments in isolation is reasonable when assessing the overall risk presented.

There are specific issues that Mr R has provided further submissions about in regard to the CITI investment which suffered losses. He maintains that he wasn't made aware of the failure of this investment at the time in 2022, and it was only his accountant that pointed it out to him in 2024. He also said he was unaware LCM had agreed to refund 80% of his loss. He says he would have pursued a full refund had he known. He also questions whether a failure to act by LCM meant that his rights on this investment lapsed causing the loss.

LCM has provided statements to show that a number of payments were made to Mr R's account between November 2022 and March 2023. It has explained these payments amounted to an 80% refund of Mr R's investment into this warrant. But Mr R remains unsatisfied with the evidence provided to show he did receive a partial refund of his CITI investment. He points out that the amounts highlighted as refunds align with the regular income he was taking from the portfolio.

I've considered Mr R's point about LCM failing to act causing his rights to lapse on the investment, and this leading to the losses. LCM has explained the information from the custodian showing 'Lapsed Rights' on this investment, doesn't indicate Mr R lost out. It says this is a technical term for maturity, but as this investment failed there were no funds available to claim at maturity in September 2022. While I acknowledge why Mr R has queried this, I've seen no evidence support that a maturity payment was due to Mr R from this investment. But it doesn't appear that Mr R was specifically informed about the decision LCM made to refund him part of the loss. I think this is something which should have been made clear at the time.

In respect of the actual refund, it is apparent from the statements that monthly payments were made by LCM to Mr R's account over several months following the maturity of the CITI investment. And the payments highlighted do amount to around £59,000 being paid in – which supports that around 80% of the investment was returned. While, Mr R has suggested the payments align with the regular income he was taking out of his portfolio, I haven't seen from the statements that the payments came from the portfolio. The LCM portfolio reports for the relevant period also show these payments as a fee refund (rather than as a result of payments from the investments held within it). So, I find the balance of evidence supports LCM did pay the refund.

I understand Mr R thinks he should have all of his loss refunded. But regardless of the fact losses have been suffered, I don't think this means Mr R is entitled to recoup everything. I've

already found that the overall advice was suitable, so the fact the portfolio has suffered losses on this investment doesn't mean LCM needs to do anything further.

Lastly, I note Mr R's comments about the impact of the service he's received from LCM, and the distress this has caused. He doesn't think the compensation suggested reflects the losses suffered and, tax liability he's incurred along with the fees he's paid.

The award of this compensation is to reflect the impact of service failings I identified in my provisional findings. It isn't designed to reflect losses or the tax liability. A payment of £400 is in line with our approach to compensation where a consumer has suffered considerable distress and inconvenience as a result of a business' actions. So, while I understand the parties aren't in agreement with this award, I still think it is fair and reasonable in the specific circumstances of this complaint.

My final decision

I uphold this complaint in part, and require LCM FAMILY LIMITED to pay Mr R £400 in compensation for the distress and inconvenience he has suffered due to failings in the service it provided.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 9 January 2026.

Daniel Little
Ombudsman