

The complaint

Mrs S complains about the performance of her investments which NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY (NatWest) both advised and managed.

What happened

Across December 2009 and January 2010 NatWest advised Mrs S to invest £250,000 in a portfolio which it would manage on a discretionary basis. The advice leading to that included other recommendations as part of the overall advice NatWest gave at this time. Those other products aren't part of this complaint.

During the initial advice NatWest advised Mrs S to take a higher level of risk with this portfolio to meet her objectives of seeking capital growth. In those earlier years the portfolio was focused on predominantly equities to generate the growth she was looking for. Later in November 2016, Mrs S wrote to NatWest asking it to reduce her risk exposure to a more cautious level which led to her portfolio composing a more even balance of equities and bonds with it continuing to hold a small proportion of property and alternative assets.

Following falls in her portfolio value in 2022, Mrs S raised the matter of what she considered to be poor performance of her portfolio with NatWest. Those discussions led her to have concerns about the long term underperformance of her portfolio, in particular compared to the benchmark NatWest referenced when providing comparisons. She also felt NatWest was passing the blame of its investment decisions to increase the amount of bonds in her portfolio onto her and felt she'd received poor service when carrying out those enquiries.

She complained to NatWest which responded offering £450 for the service it had provided but didn't agree it had managed her investments unfairly.

As she remained dissatisfied about what happened, she asked our service to look into her complaint further. One of our Investigators considered the matter and didn't find NatWest needed to do anything more than it had already offered. He concluded that NatWest hadn't deviated from the recommended strategy and there was no evidence to show it was responsible for the poor performance. In his view the offer NatWest had already made for its service failings was fair.

Mrs S didn't agree with our Investigator's findings, explaining that she wasn't a sophisticated investor and that she wasn't aware by reducing her risk exposure that she was agreeing to invest in such a high proportion of bonds. In her view the firm ought to have been aware that after such a long period of low interest rates it was foreseeable gilts and bonds would experience the difficulties they since did. Our Investigator considered her response but didn't change his conclusions.

As an agreement wasn't reached Mrs S asked for her complaint to be considered by an Ombudsman, which was passed to me to decide. I first considered the matter of time and issued a decision on our jurisdiction which expanded the scope of the complaint our Investigator considered. In that I explained the initial advice, any advice that had taken place

since and how the firm applied its discretionary mandate throughout the portfolio's life was in time.

Following that decision I considered the merits of this complaint. Given I had expanded the scope of the Investigator wider than our Investigator had commented on there were parts of the complaint our service hadn't considered before, so I issued a provisional decision to set out my conclusions.

In my 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.

Having considered the matter, I don't intend to uphold Mrs S' complaint. I'd like to assure Mrs S that I understand her strength of feeling about what's happened but to direct NatWest to take any action here I need to be persuaded that it acted unfairly towards her and that detrimentally affected her. And while I understand why she feels NatWest treated her unfairly, on balance I'm not persuaded I can fairly say it did so. I'll explain why.

Mrs S has complained about the performance of her portfolio over the long term, having more recently seen that it had underperformed the benchmark NatWest was using to compare her portfolio's performance over time. Our service can't consider performance on its own as that would be dependent on the individual underlying assets invested in, which is outside of NatWest's control. What I can consider is whether those performance concerns stem from a problem with the advice, as given both initially and on an ongoing basis, as well as in the circumstances here whether NatWest fairly applied the discretionary mandate it had from Mrs S about how to invest on her behalf. That means I can't uphold the complaint on the basis it didn't perform in line with the reference benchmark NatWest was using for her portfolio. But I could if I found the advice or management of her portfolio was unsuitable for her.

To have given Mrs S suitable advice the rules as they were at the relevant times required NatWest to have provided her with a suitable recommendation. In doing so NatWest would need to have taken sufficient information from Mrs S to understand her investment knowledge and experience, objectives and circumstances.

When NatWest met with Mrs S, and her husband, it completed a 'fact-find' which recorded the questions asked and answers given at the time. The pertinent information NatWest recorded from those discussions were that:

- *Mrs S wasn't in paid employment and was married with dependent children.*
- *Her household's income exceeded its expenditure and held a large cash reserve.*
- *The family home was owned outright and they had no debt.*
- *They had invested previously but in assets that protected or guaranteed the capital.*
- *Because of poor savings rates they were looking to invest for growth above the returns those products offered.*
- *They wanted to take some risk with this portion of their wealth by investing across UK and overseas equities, fixed interest and alternative assets.*
- *Tax-efficiency was important and was to be achieved by utilising Mrs S' ISA*

allowance.

- They wanted this money to be professionally managed.

Having considered those factors, NatWest recommended this £250,000 be invested for capital growth through its discretionary portfolio service, to be held solely in Mrs S' name. The portfolio it recommended targeted a high proportion of equities to generate the growth being sought in line with her higher attitude to risk. It would also hold a smaller proportion of bonds and alternative investments, which would include property, commodities and hedge funds, which would mostly be used to balance the portfolio and to generate some income to be reinvested.

I haven't seen the full risk assessment carried out by NatWest when it advised Mrs S, along with her husband, but given the passage of time since the advice it isn't unreasonable that hasn't been provided. But I'm satisfied risk had been discussed in some detail prior to the recommendation being made. I say this because the suitability letter sent after the advice demonstrates such discussion took place about the level of risk to be taken and what this meant. I'm satisfied this evidences that Mrs S and her husband wanted to take a higher level of risk with this portion of their household's wealth, against the lower risk being taken with the other money NatWest was advising on at the same time.

In this letter NatWest said the following about the risk being advised for this portfolio:

"In this area, after discussion you have described your attitude to risk as category 4 which states: I understand the relationship that exists between risk and reward. My aim is to achieve better returns over the longer-term than are available on less speculative investments, and I am therefore prepared to accept wide day to day fluctuations in the value of my money and the resulting risk of a possible loss arising at any stage. To achieve the above I will consider investing in the following types of areas:

- *Funds that invest in a narrow range of assets for example shares mainly within the UK and/or Europe and other developments."*

NatWest then explained in more detail that this portfolio would invest across shares, bonds and alternatives, diversified across investment funds holding those assets. It specifically notes that a high proportion of the capital would be invested in equities in line with its "Capital Generation Strategy".

I note that Mrs S wasn't a particularly experienced investor and investing in a portfolio holding around 70% equities in some cases could demonstrate potential unsuitability for someone with less experience. But when determining the suitability of this portfolio for her I've also taken into account that she was being advised alongside her husband, who appeared to hold more experience, and as I've mentioned this portfolio was one of three recommendations in NatWest's overall package of advice to them. While I won't comment on the suitability of those other recommendations, it's relevant that the plan around those was to take a lower level of risk. When considering the overall balance of the recommendations for this money, along with their other assets, I'm not persuaded then the higher level of risk being taken with this portfolio was unsuitable. In my view I think Mrs S was willing and able to take this level of risk to meet the specific objectives for this pot of money, and the overall balance of their overall assets was in line with their risk tolerance.

It follows then I intend to say that I've not been persuaded that the initial advice to invest in this portfolio through a discretionary mandate in the manner NatWest did was unsuitable for Mrs S. I say this because the recommendation could provide the capital growth and provided a service where the individual investment decisions would be made for her, as was recorded as being important to her.

I've also considered any changes in Mrs S', or her household's, circumstances since the initial advice ought to have led NatWest to advise her differently, given there was an ongoing management arrangement in place.

NatWest hasn't been able to provide all the evidence around any changes in circumstances it had requested and been told about. But similar to the above it isn't unreasonable it hasn't been able to provide all of those. I have however seen documents from 2018 which, in my view, portray a similar situation to her circumstances from when the initial advice took place. Outside of Mrs S' letter about reducing the level of risk in November 2016, which I'll come onto, I don't take the view that there were any significant changes that ought to have led NatWest to have considered that it would need to advise a different course of action when it reviewed her circumstances, which appear to have been annually. For similar reasons, if it missed any of those I'm not persuaded that NatWest would've reached a different recommendation if those had taken place given later positions show no significant changes that would likely affect the suitability of the portfolio for Mrs S.

Turning now to Mrs S' instruction to reduce the level of risk on her portfolio. The evidence provided demonstrates that Mrs S wrote to NatWest on 8 November 2016 asking it to "...change the risk profile for this account [the portfolio] to CAUTIOUSLY MANAGED, with immediate effect, thank you.". I understand she recalls completing a circular NatWest had sent her about risk. I think this was likely its usual review of her portfolio given how she's described it is similar to those I've seen NatWest sent to her. The instruction in her November 2016 letter then is the only evidence I've seen to show a change in risk level being requested. That letter didn't provide a reason at the time, but Mrs S has explained in her submissions to our service that she recalls being concerned about future market performance.

NatWest carried out her instruction which had the effect of changing the asset mix NatWest was investing her portfolio against. The investment reports NatWest produced for her shortly prior to that instruction show an equity holding of around 88%, 4% in bonds, 3% in property, 3% in commodities and 3% in cash. With that changing following her instruction to a more balanced portfolio of around 41.5% in bonds, 37.5% in equities, 11% in alternatives, 6% in cash and 4% in property.

It's unclear what information NatWest provided her following her request, or if it gave her any advice around it. But even if it didn't I think it's likely if it had done so then on Mrs S airing concerns about the proportion of equity holding and the concern she recalls having about how those assets might perform in the future, that NatWest would've advised her to take the lower risk level she asked for. Looking at how that portfolio was constructed, I'm satisfied that would've been suitable for her as her portfolio could still provide capital growth from the equity component it would invest in, income which could be reinvested from the bond holdings and income and growth from the alternative assets, while meeting the requested lower risk exposure.

Mrs S says NatWest took that instruction as a wholesale shift into fixed interests, and that NatWest ought to have considered that given interest rates had been low for a long period that these bonds would devalue in the future. I understand the point being made but I'm not persuaded that by investing against the proportions it did means NatWest unfairly managed her portfolio. I say this because the portfolio valuations show that, following NatWest rebalancing the portfolio in response to her request to reduce the level of risk, the asset allocation remained similar to what I described above until around the time of the pandemic. At which point the bond proportion increased gradually to around 61% before later reducing to 55% and 51% across 2023 and 2024. There was widespread market volatility during that time which NatWest has explained in its final response had caused a situation where it was difficult to earn the growth Mrs S was seeking. It had made some moves to mitigate this situation by changing the type of bonds and diversifying those further into other countries and moving away from assets and locations it had the most concern about. In my view just because that didn't prevent the losses Mrs S experienced during that time doesn't mean those changes or proportion of bonds was unsuitable for her.

It follows then I intend to say I'm satisfied those changes were suitable for Mrs S given NatWest was working to keep her portfolio in line with her risk level and growth objectives. And remained managed in line with the mandate it had to invest on her behalf through its discretionary service.

More specifically on Mrs S' point around NatWest failing to have reasonable foresight of the difficulties on her bond exposure, I would say the following. While inflation began to gather pace from around mid-2021 what appears to have had the most impact on the performance of Mrs S' portfolio was when interest rates increased in response to the sustained increase in inflation towards the end of 2022. This likely negatively affected the bond holdings her portfolio invested in as the value of bonds inversely correlates with inflation, as newer bond issues tend to provide a higher interest rate than those already in circulation causing the sale value of existing bonds to usually fall. Market conditions at the time however would've also likely impacted the equity and other assets held within the portfolio given the difficult global trading environment at that time.

Similar to what I said above, just because those losses occurred wouldn't mean Mrs S' portfolio had become unsuitable for her. It is a risk when investing that values will rise and fall and while lower risk investments are less likely to see swings in volatility, that doesn't mean it can't happen. I need to consider this matter without the benefit of hindsight, and I've not seen to agree the extent of the issue involving the bond markets were as foreseeable to NatWest as Mrs S has suggested. The rate of increase in inflation and interest rates was largely unforeseen by the industry and the impact on bond markets were also affected by several economic factors. I'm not persuaded then NatWest could've reasonably had the foresight to evade the losses on her portfolio in the manner she thinks it should've. In my view Mrs S experienced a period of volatility during 2022 which is an inherent risk when investing, but fortunately overall her portfolio did provide her with a positive return over a longer term view, albeit below the benchmark NatWest was comparing her portfolio performance against.

Overall and on balance I'm satisfied NatWest was alive to the difficulties in the market and took steps to try to mitigate the situation. But given issues around the pandemic, war and increases in inflation were largely a global problem, NatWest was limited in what it could reasonably do. It follows then I intend to say I'm satisfied NatWest hasn't unsuitably advised Mrs S as part of its ongoing

arrangement with her. Nor have I seen persuasive evidence that it failed to fairly manage her investments through its discretionary managed service.

Mrs S is dissatisfied with the service NatWest provided her in the course of her raising this matter with it. From what I've seen I'm satisfied this relates to her portfolio rather than complaint handling on its own in isolation, and so I would be able to consider the points she's made around this in her complaint. There doesn't appear to be much disagreement over the aspects around missed calls, communication issues and appointments, so I won't address that further. There is disagreement however on NatWest wanting to share information with Mrs S using a third party secure portal. I've considered that but given the obligations on firms to protect sensitive data, I don't find NatWest's preference to do that was unreasonable.

NatWest has already paid Mrs S £450 to apologise for the service it provided. I've considered that myself and given the impact and frustration caused, I'm satisfied £450 would fairly reflect the impact that had, and is in line with what our service would award for several administrative issues occurring in the manner it did.

It follows then I don't intend to direct NatWest to pay a higher award than it already has.

I'd like to assure Mrs S that I understand the reasons why she's unhappy with how NatWest managed her portfolio and its overall performance. But in the circumstances with the evidence available I've not been persuaded to direct NatWest to do anything more than it has already done."

NatWest responded to agree with my conclusions and had nothing further to add.

Mrs S explained she felt she had no alternative but to accept my decision but reiterated the reasons she had earlier explained why she felt NatWest had treated her unfairly. She also set out the offer NatWest had made hadn't been paid to her as she recalls rejecting it awaiting the outcome of our service's review of this matter.

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 considered the matter again, including the further comments from Mrs S, I've not seen to depart from the conclusions I reached in my provisional decision, and I don't have anything meaningful to add to what I've already said in that.

Mrs S in her response to my provisional decision disputed that NatWest paid the £450 it offered in its final response. NatWest has been asked to evidence that payment was made and in response to that provided an accounting screenshot showing a payment being made to an account in the name of Mrs S on 19 June 2024 with a description which matches her NatWest complaint reference.

I'm satisfied then NatWest has already paid the £450 it offered, which I agreed was fair for the reasons given in my provisional decision.

My final decision

For the reasons given above, I don't uphold Mrs S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 4 March 2026.

Ken Roberts
Ombudsman