DRN-6172125

The complaint

Mrs P and Mr D2 complain as executors of the late Mr D1's estate, about the advice Mr D1 was given by Isca Asset Management Ltd, an appointed representative of F2 Capital Ventures LLP, regarding the volume and frequency of trades that Mr D1 was advised to place in his investment bond.

What happened

In 2008 Mr D1 was advised to take out a bond by an adviser, Mr S, who worked for a company who I'll call Company A. On 1 July 2016 Isca became an appointed representative of F2 Capital and at that time, Mr S was a Director of both Company A and Isca. On 8 August 2016 Mr D1 signed a client agreement with Isca, agreeing that Isca would provide him with an ongoing advisory service.

In 2021 Mr D1 sadly passed away. Following their appointment as executors, in 2023 Mrs P and Mr D2 complained to F2 Capital about the advice given to Mr D1 and the number of switches that took place. They said Mr S earned commission for each switch, on top of a 0.5% annual adviser charge, and that between 2011 and 2019 the switch charges totalled over £30,000. The switches were often into cash which meant Mr D1 missed out on growth in the markets, and they felt the advice had a detrimental impact on the investment. The bond was surrendered in January 2024.

F2 Capital explained that they are not responsible for any of Mr S' actions prior to 2016. They raised concerns about the time limits within which a complaint could be brought, and about whether the executors were eligible to complain on behalf of Mr D1's estate. As the complaint was not resolved, Mrs P and Mr D2 brought the complaint to our service.

In March 2025 an ombudsman at our service found the complaint had been brought in time, and that we could consider the activities carried out by Isca from the date they became an appointed representative of F2 Capital. An investigator at our service then considered the merits of the complaint and found there was little evidence to rely on, but the statements showed that several of the switches were not profitable and hadn't been justified by F2 Capital. So, he decided that on balance, the advice given to switch wasn't suitable for Mr D1 and upheld the complaint. He said F2 Capital should compare the performance of the bond from 1 July 2016 to the date it was surrendered, with the performance of the FTSE UK Private Investors Income Total Return Index, to assess whether there was any financial loss.

F2 Capital didn't agree with the investigator, in summary because:

- Mr D1 did not become a client of Isca until 8 August 2016, so F2 Capital could not be held responsible for any advice given prior to that.
- Mr D1 wanted to switch into relatively safe investments in times of market volatility as he wanted to maintain the value of his portfolio.
- They said that the value of the bond on 1 July 2016 was £184,616. Over the years after that withdrawals of £21,800 were taken, and the value of the bon on 4 January 2024 was £193,785, giving a total value of £215,585, which equates to 17% growth. So, the investment has outperformed the FTSE 100 and many other funds.

- The impact of the switches has been beneficial overall.

The investigator wasn't persuaded to change his opinion, so the complaint was passed to me for a final decision. I asked F2 Capital for more information about Mr D1's attitude to risk, which in 2020 was categorised as *"Balanced – 7/10*", including the definition of that risk level and an explanation of how that was decided upon. The switch fee applied by the adviser was discretionary up to 3%, and I asked how that discretion was applied. F2 Capital refused to answer the questions and set out the following objections:

- They had dissolved as a company in mid-2025 and felt that meant our service no longer had jurisdiction over the complaint.
- They raised concerns about the eligibility of Mrs P and Mr D2 to complain, saying that Mr D1's estate would have been wound up so they no longer held authority.
- The complaint was malicious in nature and shouldn't be considered.

Mrs P and Mr D2 disputed F2 Capital's claims that any withdrawals had been taken from the bond and explained that the "withdrawals" were cash movements within the bond to pay for charges – they weren't paid out to Mr D1 or them. They said the regular charges are taken from the cash held in the bond, and that cash account goes into deficit up to £10,000, at which point investments are sold to cover the amount owed. They also asked if the adviser fees should be refunded as part of the redress, and whether we'd been in touch with the FSCS about Company A.

I also reached out to the bond provider to ask for confirmation of whether they paid Company A or Isca the switch fees between 1 July and 8 August 2016, but we didn't receive a response. I then issued a provisional decision on the complaint as follows.

My provisional decision

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

I'll first deal with the jurisdiction issues before going into my findings on the merits of the complaint.

Jurisdiction

We can't consider all the complaints we receive and the rules governing this are set out by the Financial Conduct Authority ("FCA") in the Dispute Resolution rules ("DISP"). These rules set out which complaints are in our jurisdiction, based on several factors. The ones relevant to this complaint are: the activity being complained about, including the business who carried out that activity, the eligibility of the person complaining, and lastly complaints must be raised within certain time limits under DISP 2.8. As the latter issue was already decided upon by my colleague in her decision of 27 March 2025, which I agree with, I won't be commenting on that further in this decision.

Whether a complainant is eligible is covered by the rules in DISP 2.7. Mr D1 would have been eligible to complain, as a consumer and a customer of F2 Capital under those rules. DISP 2.7.2 sets out who can complain on his behalf, as he's passed away – it says:

> *"A complaint may be brought on behalf of an eligible complainant (or a deceased person who would have been an eligible complainant) by a person authorised by the eligible complainant or authorised by law. It is immaterial whether the person authorised to act on behalf of an eligible complainant is himself an eligible complainant."*

Mrs P and Mr D2 were authorised to act on behalf of Mr D1's estate by the Grant of Probate. There's no evidence that the Grant of Probate has been revoked or otherwise no longer applies, so their authority hasn't ceased. F2 Capital's comments in this regard are not substantiated by law or the general normal process of administering estates. Simply because the majority of the administration of Mr D1's estate may have been completed, that doesn't prevent his executors from being entitled to pursue a complaint about an asset that Mr D1 held on his death. I find that Mrs P and Mr D2 are eligible to complain.

DISP 2.3 sets out the rules about the activities and firms we can consider and the rules relevant to this situation state, at DISP 2.3.1R:

> *"The Ombudsman can consider a complaint under the Compulsory Jurisdiction if it relates to an act or omission by a firm in carrying on one or more of the following activities:*
>
> *(1) regulated activities (other than auction regulation bidding and administering a benchmark); …*
>
> *or any ancillary activities, including advice, carried on by the firm in connection with them."*

The word "firm" in that rule is defined as an "authorised person", which in turn is someone who has been given permission by the FCA or PRA to carry out regulated activities. There's no question that F2 Capital were authorised at the time of the events being complained of between 2016 and 2025 and so the complaint falls under our Compulsory Jurisdiction. F2 Capital has said that because they are no longer authorised, then we can't look at the complaint, but I disagree. The relevant time of their authorisation is the time of the act or omission being complained of, which is supported by the guidance given in DISP 2.1.1 which says (bold is my emphasis):

> *"The purpose of this chapter is to set out rules and guidance on the scope of the Compulsory Jurisdiction and the Voluntary Jurisdiction, which are the Financial Ombudsman Service's two jurisdictions:*
>
> *(1) the Compulsory Jurisdiction is not restricted to regulated activities, payment services, issuance of electronic money, and CBTL business and covers:*
> *(a) certain complaints against firms (and **businesses which were firms at the time of the events complained about**)"*

While F2 Capital is dissolved, that doesn't mean the complaint is no longer in our jurisdiction. The activity being complained of is the advice given by Mr S including the switches between investments in the bond which falls under the regulated activity of advising on investments. So, I'm satisfied that the activity is one we can look at under the rules in DISP 2.3.

In summary, I find that this complaint is in our jurisdiction, so I'll proceed to consider the merits of the complaint.

The merits of the complaint

I've first considered the arguments put forward about the responsibility for any advice given between 1 July and 8 August 2016.

Mr D1 signed the client agreement with Isca on 8 August 2016 and at that time, Company A was an authorised firm. I've seen no evidence from before that date that suggests Mr S was

holding himself out as representing Isca when he gave Mr D1 advice. For instance, I don't have evidence of the contact details Mr S was using, the use of company headed paper, or proof from the bond provider of which company received the fees for each of the switches.

Without evidence that Mr D1 was given the impression he was dealing with Isca, I'm not persuaded it would be fair to find that F2 Capital are responsible for any switches prior to 8 August 2016 when Mr D1's contractual relationship with Isca began. The switches made prior to that date would have fallen under the agreement Mr D1 had with Company A.

I appreciate that will be disappointing to Mrs P and Mr D2 as I understand they are finding it difficult to pursue Company A through the FSCS. I can only suggest they speak directly to the FSCS about this as our service is separate from them and operates under different rules. I can confirm that our service hasn't been in touch with the FSCS about this case.

Turning to whether the advice given from 8 August 2016 onward was suitable for Mr D1. As their representative was giving advice on an annual basis and at the point of each fund switch, F2 Capital had certain obligations towards Mr D1. This included making a suitable recommendation, based on Mr D1's circumstances, objectives, investment experience and attitude to risk. Normally I'd expect there to be a fact find document, which would set out the adviser's notes of Mr D1's circumstances and objectives. Any advice given ought to be set out in writing in a suitability letter.

F2 Capital has provided Mr S' recollections of why the switches into cash funds were made and he's said it was because Mr D1 preferred to be in cash to avoid volatility in the market. While I don't doubt his recollections, I'm mindful of the fact recollections can fade and subtly change over time. So I've also considered whether those recollections are supported by any documentary evidence. It's accepted that there's no contemporaneous evidence from the time of any of the switches setting out the reasons for them.

The only relatively contemporaneous evidence I've been given is the annual review letter from 2020. It states that Mr D1 had an attitude to risk of "Balanced – 7/10" in the previous year, which will be carried through to the next year and there had been no significant changes to his circumstances since the previous review. As this was an ongoing relationship that had been in place for some time before 2016, I find it more likely than not that Mr D1's attitude to risk hadn't changed between 2016 and 2020.

I've requested the definition of that level of risk from 2016 and 2020, but this hasn't been provided. I've considered a reasonable interpretation of that level of risk based on standard industry practices. Generally, investors who are happy to take a balanced level of risk are more likely to remain invested during times of volatility and will tolerate the value of their investments going down. They also prefer their money to be invested rather than earning little to no interest in bank accounts. In my view, that risk level is not consistent with Mr S' recollections of why the switches were recommended.

It is not always inappropriate to make switches, even frequent ones, depending on the circumstances. The cost of the switch is an important factor to consider as it adds a layer of risk in and of itself to the transaction. Ideally the switch would still be financially beneficial after accounting for the charges. I don't expect an adviser to be able to predict what will happen in the markets – but they do need to have a consideration for the benefits and risks of staying in the market compared to the benefits and risks, including the cost, of switching. And of course, the portfolio needs to continue to be suitable overall following the switch.

Normally I'd want to see evidence that the consumer was clearly made aware of those benefits and risks and was able to make an informed decision about what to do – but unfortunately in these circumstances we don't have that evidence. I can see the adviser had

discretion over the fee applied, of up to 3%. I don't have full details of the fee applied to each switch though I note F2 Capital's comments that it was an average of 1.3%, on top of the adviser charge of 0.5% per year.

I have a snapshot of the contents of the bond from 1 July 2016, at which point it held units in four funds, and I've found the following current information about each fund online:

- *£40,061 in the AXA Distribution R Acc fund – the fund manager has given this a risk rating of 4 out of 7, and it is made up of 56% equities in UK listed companies and 44% UK government bonds.*
- *£28,420 in the JPM Natural Resources C Acc fund – the fund manager has given this a risk rating of 6 out of 7, and it is made up of over 98% equities in global natural resource companies, including emerging markets.*
- *£24,110 in the L&G UK 100 Index Trust fund – the fund manager has given this a risk rating of 5 out of 7, and it is an index tracker fund tracking the 100 most capitalised mature companies listed on the London Stock Exchange.*
- *£92,024 in the BlackRock Cash A Acc fund – the fund manager has given this a risk rating of 1 out of 7 and it is a money market fund.*

Between then and 8 August 2016, there was one switch – the units in the L&G fund were sold, and the resulting amount was invested in the BlackRock Cash fund. So when F2 Capital became responsible for the bond it held around £116,500 in the BlackRock Cash fund and around £68,000 in the AXA and JPM funds. Over the years that followed, the switches were between these four funds and so I've gone on to look at the amount of each held in the bond throughout its life, with a particular focus on the BlackRock Cash fund.

For the whole of the first year after Mr D1 signed the Isca client agreement, more than £100,000 was held in the BlackRock Cash fund. On 16 August 2017 that reduced to around £62,000, but on 12 October 2017 it increased to £110,000 and it was at least that much until 7 February 2018. It remained around £46,000 for three months, until May 2018 when it increased to over £116,000. From June 2018 until 2019 there was around £40,000 in that fund and since then, I believe there's been very little held in it. So until 2019 there was a minimum of 20% held in cash at all times including long periods of more than 60%.

This amount of money held in cash for such a period of time is not reflective of moves out of the market in times of volatility – those would usually be for a much shorter period. Nor is it in line with a consumer who was willing to take a balanced 7/10 level of risk. A balanced portfolio is usually achieved through a mixture of assets – some low, some medium and some higher risk. It is not achieved through holding more than half in cash and half in medium and higher risk funds. There are other lower risk assets that could have been used to achieve the desired balance, that would have likely provided better returns than a cash fund – for instance further investment into funds containing longer-term corporate and government fixed interest securities.

The aim of the BlackRock fund, based on its fund fact sheet, is to achieve a rate of interest consistent with maintaining capital – and it achieves this by investing in cash and short term fixed interest securities. Essentially, Mr D1 could have achieved a similar result by leaving this money in his bank account – and it would have been much cheaper as he wouldn't have been paying any fees for the product or the adviser.

I am satisfied that Mr D1 would have been aware of the switches and would likely have had some awareness of the overall makeup of his portfolio from the statements the bond provider sent to him. However, I'm not convinced he was aware of the fact that his portfolio was not in line with his attitude to risk, and also that it generally isn't suitable to treat a

product of this nature like a bank account, due to the charges. Had he been made aware, I'm satisfied he wouldn't have continued utilising the bond in this way.

Based on the evidence I've seen, I'm satisfied the advice given wasn't suitable for Mr D1 throughout the time he received advice from Isca. As I've found it wasn't suitable for those reasons, there's no need for me to comment on whether the individual switches were suitable, or whether collectively they amounted to churning.

I can see there's disagreement about whether there were withdrawals from the bond and the evidence from each party on its face is contradictory on this. F2 Capital have provided screenshots from the provider's platform which state the cash withdrawn was over £226,000. Mrs P and Mr D2's explanation of the charges building up and being paid as a lump sum very well could explain this and it could simply be that the information F2 Capital can access doesn't give enough context to the information.

To ensure clarity on this point, I consider it reasonable to ask Mr D2 and Mrs P to provide confirmation from the bond provider of the value of the bond on 8 August 2016 and its value on surrender. This should also confirm whether any withdrawals had been paid in between those two dates, either to Mr D1 or his executors.

I've considered Mrs P and Mr D2's request that adviser fees ought to be refunded on top of the financial loss calculation. The 'fair value' calculation that I've set out below isn't reduced by any charges as it's designed to be a broad measure of the overall potential growth Mr D1's bond could have achieved, had suitable advice been given. In my view in these circumstances there's no need for a refund of fees on top of the overall loss calculation."

I went on to set out that F2 Capital should compare the performance of the bond since 8 August 2016, with the performance of the FTSE UK Private Investors Income Total Return Index, to assess whether there had been any financial loss.

Replies to my provisional decision

F2 Capital didn't reply.

Mrs P and Mr D2 confirmed they accepted the provisional decision and provided an email dated 11 February 2026 from the bond provider, which said:

"Please see below the policy information as requested:

1. *The value of the investment on 8th August 2016: I can confirm that the value was GBP 176,810.46.*
2. *The surrender value and date of surrender: I can confirm the surrender value was GBP 192,863.48 and date of surrender was 15-Jan-2024.*
3. *Any Chargeable Event Certificates: I have referred your query to chargeable events team and they will contact you directly.*
4. *In the absence of Chargeable Event Certificates confirmation that there were no withdrawals paid to the policy holder or his personal representatives between 8th August 2016 and the date of full surrender of the investment. I can confirm there were no withdrawals to the policy holder or his personal representatives between 8th August 2016 and the date of full surrender of the investment."*

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.

As F2 Capital didn't reply to my provisional decision, the only issue for me to comment on is the withdrawals from the bond. I'm satisfied with the evidence Mrs P and Mr D2 have submitted from the bond provider, which confirms the exact details of the value of the bond at the relevant dates and that no withdrawals were taken prior to surrender. I appreciate this doesn't match the information F2 Capital has access to, but as I set out above, this could be due to a lack of detail on the system they use. Without their input about the screenshots F2 Capital previously provided and why they might be displaying what they do, I'm more persuaded by the information recently received direct from the bond provider. I find that no withdrawals were taken from the bond between August 2016 and the surrender in 2024.

So, I'm satisfied Mrs P and Mr D2 have provided sufficient evidence of the relevant values, in order for F2 Capital to carry out the calculations without further evidence. Other than on that point, as I've not received any further submissions from the parties to the complaint, I see no reason to depart from the findings set out in my provisional decision (copied above) and I make them final.

Fair compensation

In assessing what would be fair compensation, I consider that my aim should be to put the estate of Mr D1 as close to the position it would probably now be in if Mr D1 had not been given unsuitable advice. I take the view that Mr D1 would have invested differently. It is not possible to say *precisely* what Mr D1 would have done differently. But I am satisfied that what I have set out below is fair and reasonable given Mr D1's circumstances and objectives when he invested.

What must F2 Capital do?

To compensate the estate of Mr D1 fairly, F2 Capital must:

- Compare the performance of Mr D1'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.

- F2 Capital should also add any interest set out below to the compensation payable.

Income tax may be payable on any interest awarded.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
The bond	No longer in force	FTSE UK Private Investors Income Total Return Index	8 August 2016	15 January 2024	Pay 8% simple interest per year on any loss from the end date to the date of settlement.

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.

F2 Capital must pay the compensation within 28 calendar days of the date on which we tell it Mrs P and Mr D2 accept my final decision.

If F2 Capital fails to pay the compensation by this date, it should pay 8% simple interest per year on the loss, for the period following the deadline to the date of settlement.

Why is this remedy suitable?

I have decided on this method of compensation because:

- Mr D1 wanted capital growth and was willing to accept some investment risk.

- 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.

- Although it is called income index, the mix and diversification provided within the index is close enough to allow me to use it as a reasonable measure of comparison given Mr D1's circumstances and risk attitude.

My final decision

I uphold the complaint. My decision is that F2 Capital Ventures LLP should pay the amount calculated as set out above.

F2 Capital Ventures LLP should provide details of its calculation to Mrs P and Mr D2, on behalf of the estate of Mr D1, in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I am required to ask the executors, Mrs P and Mr D2, on behalf of the estate of Mr D1 either to accept or reject my decision before 26 March 2026.

Katie Haywood
Ombudsman