

complaint

Mr S complains that Coutts and Company (Coutts) invested his self invested personal pension (SIPP) into a hedge fund when he didn't authorise it to do so. He says he has lost out financially as a result.

background

In 2006 Mr S appointed Coutts as the investment manager of his SIPP. He instructed it to invest his portfolio in one quarter equities and three quarters fixed interest.

In 2007 Coutts changed its investment model and redefined the portfolios. It wrote to Mr S about this. In October 2007 he signed to say he wanted to invest in its "*Wealth Enhancement (Medium Term) Sterling Portfolio*". The fact sheet for this portfolio gave a sample asset split of 34% bonds, 45% equities and 21% alternatives which included hedge funds.

At a later meeting with Coutts it said Mr S might want to consider moving his business away because of its higher charges, following the Retail Distribution Review. Mr S decided to do this. He had difficulty transferring his SIPP because some of the hedge fund shares were illiquid and others could only be traded every three months.

Mr S said he told Coutts that he didn't want to hold alternative investments in his portfolio.

Coutts paid Mr S £200, as a gesture of goodwill, because he may have to pay an ongoing holding cost for keeping his illiquid shares separate. It also offered him a further £200 compensation for the way it handled his complaint. Mr S said £10,000 was a more appropriate amount. Coutts didn't agree so he complained to this service.

Our adjudicator looked into Mr S' complaint and didn't uphold it. He said, in summary:

- Looking at the level of income he was drawing from his fund he thought the revised portfolio was reasonable as it offered the potential to achieve higher returns.
- The revised strategy had been explained and agreed. Mr S had also signed a schedule agreeing the revised portfolio.
- Mr S was clearly aware that the portfolio included hedge funds as he raised questions about these investments. However, the adjudicator couldn't see that Mr S had specifically told Coutts not to invest his SIPP in hedge funds.
- Having agreed to the discretionary management service, Mr S authorised Coutts to manage the portfolio how it saw fit, consistent within his chosen portfolio.
- Coutts' offer of £400 compensation, in total, was fair and reasonable in the circumstances.

Mr S disagreed our with adjudicator's view. He said there were inaccuracies in the adjudicator's summary of the circumstances leading up to the complaint. He said again that the problems had been caused because Coutts had invested his SIPP into a hedge fund without his authority.

Our adjudicator did not change his view, so Mr S' complaint has been passed to me to consider.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in light of the available evidence and the wider circumstances. Having done so, I have come to the same conclusion as the adjudicator, and for broadly the same reasons.

The key questions I need to consider here are:

- Did Coutts make sure the advice it gave Mr S was suitable for his needs?
- Did it give him the information he needed to make an informed choice about whether to take its advice?

If there was a problem with the way the advice was given then I need to consider if Mr S is worse off as a result because he would have done something different.

Suitability

Mr S signed to say that he wanted to invest in Coutts' *'Wealth Enhancement (Medium Term) Portfolio'*. As Mr S was looking for higher returns on his SIPP investment I don't think this portfolio was unsuitable based on what he told Coutts about his circumstances.

Informed choice

I have considered carefully whether Mr S was given enough information to make an informed choice to agree to have his fund managed as part of this portfolio. I have come to the conclusion he was. I say this because he was told that his SIPP would be invested in alternative investments. And I can see that he took this on board, because he asked a question about the particular hedge fund his SIPP was later invested in.

He attended a meeting with Coutts, where a decision was made to change from the *Wealth Enhancement (Long Term) Portfolio* to the *(Medium Term)* one. He says he wasn't sent anything after that meeting saying why the advice had changed. I don't know whether he was, but I think it likely that even if he wasn't, he understood the decision he was making. So I don't think he would have made a different decision. I have reached this conclusion having looked at the notes of the meeting, and the correspondence between Mr S and Coutts. So, I don't think Mr S has lost out financially because of this.

Having authorised Coutts to manage his investment in line with the *Wealth Enhancement (Medium Term) Portfolio* I can't see that it did anything wrong investing in hedge funds, as it said it would. And I have not seen anything that leads me to believe that Mr S gave Coutts a clear instruction that he didn't want to invest in hedge funds.

Mr S was left in a tricky situation when Coutts said he might want to consider moving his business away. Some of his hedge fund shares were illiquid, and others could only be traded at three monthly intervals. But, I think Coutts did try to find a solution by suggesting the illiquid shares were held in a safe custody account until they could be traded. The fact that some of the shares were illiquid doesn't lead me to the conclusion that the original advice was unsuitable.

I think therefore, Coutts' offer of £200 compensation to contribute towards the holding costs of keeping the shares in a safe custody account, plus a further £200 for its handling of the complaint, is fair and reasonable in the circumstances.

my final decision

I am aware that Coutts & Company has made an offer to pay Mr S a further £200 compensation for the way it handled his complaint. I think that such an offer is fair and reasonable in all the circumstances. My decision is that Coutts and Company should pay Mr S £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 November 2015.

Kim Parsons
ombudsman