

## **summary**

Ms S complains about her investment in a discretionary management programme run by Wallwood Consultants Limited. Ms S believes the account wasn't suitable for her and that she wasn't given enough information to understand it.

## **background**

In November 2013, Ms S met with the manager of Wallwood's Demeter programme, Mr D. She signed the forms to invest £50,000 in this programme. These included a power of attorney authorising Mr D, as a manager of Wallwood, to trade on her behalf. Under the programme, Mr D used Ms S's money for discretionary foreign exchange trading using spread-betting and contracts for differences (CFDs).

In April 2014, Wallwood wrote to Ms S to tell her that they had agreed with the Financial Conduct Authority ("FCA") that they would stop carrying on any regulated financial activity. They told her they would close all her trades and she would need to speak to the platform provider to arrange the return of her funds.

Mr D also wrote to Ms S and said he was obtaining authorisation from a new regulated firm. She signed a new power of attorney to him to enable him to carry on trading with her account.

Ms S later incurred a loss on her investment and complained to Wallwood.

One of our adjudicators looked into Ms S' problem and recommended upholding her complaint. He thought that Ms S' money was used for high risk trading and the risks involved hadn't been properly explained. So the account was unsuitable. He thought compensation should be calculated up until 25 April 2014, when Wallwood's FCA permissions ceased.

Wallwood disagreed. They said that Ms S worked in finance, so she should have been able to understand the high risks involved. They also said they hadn't given advice. And Ms S had actually made a gain as at 25 April 2014.

Ms S also disagreed. She didn't think compensation should be capped at 25 April 2014. She said Wallwood should be responsible for the entire loss as she wouldn't have invested without their advice.

Another adjudicator looked at the case and took a different view. She didn't recommend upholding the complaint as she didn't think the evidence showed Wallwood had done anything wrong. She said that Wallwood had disclosed the risks and Ms S had signed to confirm this.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm not going to uphold this complaint. I'll explain why below.

There's a disagreement in this case about whether Wallwood advised Ms S to invest. But I think this is beside the point. It's clear that Wallwood provided Ms S with a discretionary trading service. COBS 9.2 of the FCA's handbook says that "*A firm must take reasonable*

*steps to ensure that a personal recommendation, or a decision to trade [my emphasis], is suitable for its client."* So Wallwood needed to ensure its programme was suitable for Ms S.

I've looked carefully at the documentation Ms S signed and also considered the circumstances of her signing. She's told us she went to Mr D's house and spent a couple of hours with him there discussing the investment and signing the paperwork.

Ms S filled in an application form, which included a fact find. She provided details of her income and her assets. She has complained that Wallwood completed the boxes for "*total liquid assets*" and "*net liquid assets*" later, after she'd gone. But I'm not overly concerned by this. They were, after all, just totals. I think their inclusion of an investment property as liquid is at least debatable. But I don't think that changes whether the investment was suitable.

Ms S said she wanted capital growth and that "*speculative*" or "*short term trading*" strategies would fit her requirements. She said she was guided by Mr D in some of the boxes. I note she selected the lowest risk of the available options for "*leverage on your account*" (up to five times) and "*maximum drawdown (loss)*" (30%). I also note that her eventual loss was in line with this 30% maximum. I haven't seen anything in this information that suggests Wallwood's programme was unsuitable for her.

Ms S has told us that the risks weren't properly explained to her. But she was given a lengthy risk disclosure document to sign. Ms S worked for a firm that dealt with investments. Whilst I've seen no evidence of past experience with CFDs or currency trading, I think it's likely that she was familiar with the types of documentation used in the financial sector. I'm satisfied she understood the concept of risk and that investments could lose money. I think she would have understood the implications of signing to say she understood the risks.

Ms S has said that the key point of her complaint is that Mr D didn't explain at the outset that if she withdrew any funds, open trades might mean her risk profile increased. In other words, she thought she could only lose 30% of what was left after any withdrawals, but actually, she lost more than this. She is referring here to events that happened after Wallwood's involvement ceased. I'm not persuaded that this is something that should reasonably have been explained to her at the outset. In any case, Wallwood has said that this wasn't the way the account operated while under their control. My conclusion is that this wasn't Wallwood's fault.

Ms S has told us she wasn't given copies of the paperwork. I think it would have been good practice to do so. But I don't think this is enough of a shortcoming to justify upholding the complaint. After all, Ms S' account was traded for some months under Wallwood's control. She was receiving statements. She could see the type of activity on her account. So even if she hadn't initially fully understood the investment, I think she had ample time to review her statements and ask any questions.

My conclusion is that Wallwood didn't manage Ms S' account unsuitably. Ms S might have a complaint against another business. But I understand there may not be a regulated firm responsible for the account after Wallwood's involvement.

### **my final decision**

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 8 April 2016.

Louise Bardell  
**ombudsman**