complaint

Mr B complains that HBS (Financial Planning) Limited (HBS) didn't provide him with appropriate advice about his pension. He thinks that it should have advised him to invest in a more diverse range of funds and that, had it done so, he wouldn't have lost out financially.

background

In 2010 Mr B met with HBS as he was planning to take his retirement benefits from his self-invested personal pension (SIPP) from April 2011. He wanted to take the maximum amount of tax free cash and to drawdown the maximum available income, prior to reaching age 75.

Mr B's investment risk approach was noted as being 'upper moderate', described as 4 – 6 on a scale of 1 to 10, with 10 as the highest risk. His SIPP was invested in a range of funds which were largely made up of commodities and precious metals. HBS advised him to continue with this investment strategy. His plan was valued at around £220,000.

Our adjudicator looked into Mr B's complaint and didn't uphold it. He said that Mr B was aware of how his plan was invested prior to his decision to take benefits in 2011 and hadn't been unhappy with it whilst it had performed well.

Our adjudicator said that Mr B had been given to opportunity to adopt an alternative investment strategy when in 2010 HBS asked him to complete a questionnaire about his views on maintaining the focus on commodities and precious metals. He noted that in Mr B's responses he said he was happy to maintain the established investment strategy.

He also said that Mr B had given HBS a mandate to make investment decision on his behalf, having agreed to the investment strategy - which included commodities and precious metals. Our adjudicator thought HBS had made it clear that, in order to avoid depleting his total fund whilst taking the maximum income available, the plan would need to grow at around 8% per annum, which Mr B had also accepted.

In summary the adjudicator felt the complaint was largely about the investment performance, which wasn't within HBS's control.

Mr B didn't agree and said he agreed to a discretionary managed service (DMS) to allow HBS to make decisions on his behalf. He had trusted HBS to ensure the fund grew sufficiently to avoid it becoming depleted. He also said he felt the questionnaire completed in 2010 was only about the existing funds and didn't offer any alternative options.

The adjudicator noted that the Mr B had been happy to allow HBS to make investment decisions under the DMS. But, HBS hadn't guaranteed that the fund would grow by 8% per annum. The adjudicator agreed that the risk questionnaire, completed in 2010, focussed on commodities and precious metal investments and didn't make significant reference to other asset classes. However, he also noted that the purpose of the questionnaire was to establish whether or not Mr B wanted to reduce his exposure to commodities and precious metals, rather than to identify which alternative investment might be appropriate.

Mr B also said, in summary, that he had paid HBS to provide sound professional advice and instead had received bad advice to invest in high risk commodities. He said the fact HBS had gone into liquidation demonstrated that it wasn't providing *"all round"* advice. Finally he said the questionnaire wasn't completed by him, he answered questions in a meeting with his adviser who completed the questionnaire.

my findings

I have considered all the evidence and arguments provided by both parties in order to decide what is 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 agree with the conclusions reached by the adjudicator and for much the same reasons.

Mr B's complaint is largely about the investment decisions that were taken in 2010, prior to Mr B taking retirement benefits from his SIPP. He thinks that in 2010 alternative investment strategies should've at least been discussed.

HBS noted at the time that Mr B already had around £15,000 per annum pension income from his other arrangements, which included relatively secure occupational and state pension benefits. So, it didn't seem that he was entirely dependent on the income from his SIPP. This was also consistent with his objective of drawing the maximum tax free cash and income available from his SIPP prior to reaching age 75.

When the SIPP was set up in 2005, with the advice of HBS, the investment strategy was clearly focussed on precious metals and commodities. During the following five years before his retirement Mr B appears to have been satisfied with this approach and his plan appears to have performed well. HBS said it had increased by around 11% per annum.

HBS asked Mr B to confirm whether or not he wanted to maintain the existing investment strategy via its questionnaire in 2010. Mr B's answers included the following:

- *'Would you like to reduce your exposure to precious metals? – No'.*
- *'What percentage allocation to precious metals (physical as well as shares) would you like? – 30%'.*
- *'Would you like to reduce your exposure in the commodities sector? (energy base metals, soft commodities etc) – No'.*
- *'What percentage of your portfolio are you happy to invest in junior mining stocks? (accepting that many of these can be illiquid) – 10%'.*

Mr B had the confidence to confirm his broad agreement to maintaining the established investment strategy, but also to specify the proportion of his fund to be invested in this way. I think these answers show that Mr B understood how his plan was invested and agreed to it. If Mr B wanted greater diversification, and had any concerns about the investment strategy, I think more likely than not he would've raised this at the time.

Mr B signed up to HBS's DMS allowing HBS to make investment decisions. He understood this would allow HBS to invest *"in a way that would achieve my financial objectives, albeit with a certain amount of risk as with any investment."*

I think, more likely than not, based on what I've seen Mr B understood that in order to achieve 8% per annum growth, he needed to take some investment risk, which he appears to have accepted. HBS invested Mr B's SIPP in accordance with the DMS mandate and didn't give a guarantee that 8% growth would be achieved. I don't think it reasonable to hold

HBS responsible for the volatility and poorer than expected investment performance of the SIPP's underlying investments.

my final decision

I do not uphold Mr B's complaint against HBS (Financial Planning) Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 February 2016.

Kim Parsons
ombudsman