

The complaint

Mrs M has complained that Alan Steel (Asset Management) Limited, (AS), didn't take proper action in relation to a fund within her SIPP portfolio which she feels resulted in her suffering significant financial loss.

What happened

Mrs M transferred the management of her Self Invested Personal Pension (SIPP) to AS in 2016. At the time she was 59 years of age. She was working 3 days a week but was looking to retire soon. She wanted to take some income from her SIPP until she retired.

Mrs M's SIPP was based on a risk level of *balanced* which from the fact find completed in 2016 I can see she established herself. In this document she indicated she had reasonable knowledge of investments and associated risks and had in fact been managing her SIPP herself, along with her husband prior to moving to AS. She confirmed she was willing to accept some potential losses and any loss in the SIPP wouldn't have impacted on her daily living.

The SIPP portfolio was made up of a number of different funds including the Woodford Equity Income Fund (WEIF) which at the time made up 12% of her portfolio.

Mrs M has complained that AS should have known the WEIF was experiencing problems around 2017 and so should have moved the proportion of her portfolio in this fund elsewhere. She feels AS had enough information at this time to make this decision but didn't act on it and as a result the value of her investment in this fund alone dropped. She feels AS should compensate her for this loss because she feels it failed to monitor her portfolio and the fund in line with their agreement.

The complaint was assessed by one of our investigators who was of the view it couldn't be upheld. She was satisfied that AS had managed the portfolio in line with Mrs M's objectives and agreed attitude to risk. She also felt that there was no reason for her to move out of the WEIF in early 2017 because it was still performing well and any comments about the workings of the fund by various commenters couldn't be relied upon at that specific time.

Mrs M didn't agree with the assessment and remained of the view that AS failed in its duties to her and is responsible for her loss.

As no agreement could be reached the complaint had been passed to me to decide.

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 done so I have come to the same conclusion as the investigator.

In order for me to uphold this complaint I need to be satisfied that AS failed to provide the service to Mrs M that it had agreed to at the outset of their relationship and that it didn't take the proper action in regard to the WEIF.

However, before I explain my decision, it's important to make clear that as this was a portfolio of investments the risk level applies to *overall* portfolio not just each individual fund within it. It therefore stands to reason that the various funds within that portfolio will have different levels of risk attached to them to balance the entire portfolio to the desired risk level. But Mrs M has confirmed she isn't unhappy with AS' management of the portfolio as a whole but just with its actions, or lack thereof, in relation to the WEIF.

I have looked at what AS' obligations were when it entered in an agreement with Mrs M. In the recommendation letter from AS dated 22 April 2016 it states that AS' process is to monitor the fund managers involved in its recommendations to ensure they perform in line with expectation and would provide proactive guidance if anything was to be amended. It also states AS would contact Mrs M if there were any legislation or investment issues that impacted her holdings, but the minimum she would get would be a yearly contact with an update on the portfolio and guidance if any changes were necessary or advised. It's also stated regular reviews are a key part of AS' services. So it's clear AS had a duty to monitor the portfolio regularly and advise on changes. The question is, did this happen.

I can see that a review did take place in May 2017 which seems to be around a year after AS took over the management of the SIPP. I've also seen from the correspondence around this time that Mrs M had identified a number of funds that she was unhappy with due to underperformance. She asked for AS to switch these funds out into four other funds she had identified. These funds did not include the WEIF and were all foreign market based – so contained risk levels more towards the higher end of the risk spectrum.

However, it is at this time Mrs M is now saying she thinks AS should have also taken some action in relation to the WEIF fund. She has said that despite the fund actually performing at this point in time, a number of financial commentators had raised some questions about the WEIF which AS should have taken into account and acted accordingly, by moving her out of the fund.

While I can understand why Mrs M thinks this, I think her opinion is coming from the position of knowing *now* what happened to the fund. But looking at what was happening to the fund in early 2017 I see no reason why AS should have switched her out of it. It was performing well so it's not unreasonable AS didn't see a reason to move away from the fund. And while some questions may have been raised at the time these could really only be considered as being rumours and conjecture. There is nothing from that time that specifically confirmed the WEIF was in trouble.

All a financial firm can reasonably be expected to do is monitor actual performance and use reliable bona fide information to inform its decision making. It would be wrong for AS to act on the basis of rumours with no actual evidence to support those what was being said. No adviser can tell the future. All it can do is use its experience to make the best prediction about any fund that it can.

Also, Mrs M didn't seem to have any problems with the fund at that time, evidenced by the fact WEIF wasn't one of those she asked AS to swap her out of.

I appreciate the makeup of the fund did start to change somewhat in late 2017 and so could be argued to have moved towards a higher risk level, but as I have already mentioned

Mrs M's SIPP was being managed *as a whole* so despite any changes that AS would have been aware of it obviously felt comfortable that this didn't affect the overall risk level of the SIPP which again in my view isn't unreasonable. Furthermore, while the fund did start to underperform at this time, I don't think this means AS should have acted and switched her out of the fund. It had underperformed in the past on a couple of occasions but had recovered quite strongly so it's not unreasonable that AS felt recovery might happen again.

I am not aware of any *confirmed* information in the financial industry in 2017 about the WEIF, its makeup and potential problems. And in fact, it was in April 2018 that the fund was recategorised by the Investment Association to reflect its changes and the fact that the level of income it was generating was lower than originally desired. To me this indicates that this was really the only point in time that the fund officially moved away from its initial objectives. This was also after Mrs M ceased her relationship with AS and took over the management of the funds herself. And while it was then up to Mrs M to move out of this specific fund from the information I have seen I can't see that she did this and seems to have remained in the fund until it was suspended about a year later.

Overall, I can understand why Mrs M is disappointed with the loss she has suffered as having WEIF a part of her portfolio, but I am satisfied that AS met all of its obligation towards her. I also think AS' decision to not swap out the WEIF was made on its experience of the fund, which isn't unreasonable, and it would have been remiss of AS to have reacted to any rumours and mutterings about the fund without legitimate information to back that up. I do think hindsight has played a part in Mrs M complaint against AS and as I have already mentioned no adviser can tell the future and can only provide advice based on the knowledge and experience of the fund it has at the time.

My final decision

My final decision is that I don't uphold this complaint and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 26 March 2021.

Ayshea Khan
Ombudsman