DRN-1692193

The complaint

Mr C has complained about an investment he made through Financial Administration Services Limited (known as Fidelity). He's said the investment was a higher risk than advertised and that it was sold to him as a long-term low risk investment. He's also complained that Fidelity gave him advice to invest through the information it had provided to him before he initiated the investment.

What happened

Mr C transferred his Individual Savings Account (ISA) in 2015 to Fidelity for investment in the Woodford Patient Capital Trust (WPCT). At the time, he held a number of different investments including others managed by the same fund manager as the WPCT.
In 2019 Mr C queried the drop in value of his ISA shortly after another fund managed by this specific fund manager had been suspended. This led to him raising his complaint.

The complaint was assessed by one of our investigators who felt it couldn't be upheld. She was of the view that Fidelity hadn't provided any advice regarding this investment to Mr C in 2015 and any of its dealings with him at the time couldn't have been deemed as giving advice. She was also satisfied that the information Fidelity had provided about the WPCT was accurate, clear, fair and not misleading.

Mr C didn't agree with the assessment and remained of the view the information contained specifically in the brochure he received about the WPCT just before he invested breached the Financial Conduct Authority's (FCA) guidelines for a non-advised sale.

While the investigator considered Mr C's comments, she wasn't persuaded to change her initial outcome.

As no agreement could be reached the complaint has 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.

I fully appreciate how disappointing it has been for Mr C to see how much his ISA has dropped in value. But for Fidelity to be held accountable for this I need to be able to safely conclude it has caused this loss. This could be by giving Mr C misleading or misrepresented information or unsuitable advice which caused him to invest into something that wasn't right for him and his needs or that he didn't fully understand. However, from the information I have seen I don't think this is the case.

Fidelity is a non-advisory investment platform. This means it doesn't provide suitability advice to its clients nor does it make personal recommendations. What it does is facilitate investments by providing clients with the investment platform.

However, despite this Fidelity is still bound by the FCA's principals of business which in this case relate to the provision of information to investors and the obligation that it be clear, fair and not misleading, which is something I have also considered in this decision.

While Mr C has said he feels Fidelity did give him advice all the information I have seen, that Mr C has confirmed was provided to him, contradicts this assertion.

The brochure which set out information about the WPCT, which Mr C says he used as advice to invest into the WPCT, dated March 2015 states that:

Please note that reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

It also states that:

This information is not advice or recommendation. You should research the investment trust yourself to check you are happy with the way your money will be managed to ensure it is right for your needs. Past performance is not a guide to the future. The value of the investments can fall as well as rise, so you may get back less than you invested.

And:

Fidelity only gives information about products and services and does not provide investment advice based on individual circumstances. If you are unsure of an investment you should speak to an authorised financial adviser.

In my view these warnings are clearly highlighted in the brochure and state in unambiguous terms that nothing in that document should be seen as advice or a recommendation. And while Mr C has said the contents of the brochure were leading, given the warnings in the brochure about seeking independent financial advice I really can't agree that it wasn't clear to Mr C that no advice was given and that he should go to an adviser for further information.

Mr C says this specific article was misleading as he had taken the opinion of the financial expert involved in that article as being a guide for him to invest in the WPCT. However, I think this is very different to advice being given in the context of investments. Mr C knows full well, given his professional background, that suitability of advice involves a full analysis of an investor's personal and financial circumstances with an assessment of whether the proposed investments are suitable and meets the investor's needs. This didn't happen with Mr C, because Fidelity is a non-advisory service. So I think it would have been clear to Mr C that he wasn't being given specific advice or that the information he had been provided wasn't specific to him and his circumstances.

Mr C has also said that the trust was sold to him as a low risk investment and had been advertised as such. However, again from the information I have seen that I know was provided to Mr C before he started this investment, I can't agree that this is the case.

In the brochure mentioned above not only does it state clearly that advice isn't being provided, it also stated that:

- *Investment trusts are often used for more illiquid investments – in property or emerging markets, for example. The investment trust structure has some other differences that potential investors need to be aware of- the ability to employ borrowed money for example and the potential for the value of the trust's shares to* *diverge from the underlying value of its assets.*

- *Investing in young unproven companies the potential for big gains is matched by the risk of big losses.*
- *This investment trust is of a specialised nature and carried higher risk. In time it will invest in smaller companies which involve a higher level of risk as they tend to be more volatile. The value of investments can go down as well as up and you may get back less than you invested.*

Furthermore, the prospectus which provided full and detailed information about the WPCT along with how it was managed and the risks involved sets out the following information:

- *The company [the trust] has no operating history or any employees and is reliant upon the performance of third-party providers.*
- *There can be no guarantee that the investment objective of the company [trust] will be achieved.*
- *The company [trust] is expected to invest a significant proportion of its assets in Early Stage Companies and Early-Growth companies which by their nature may be smaller capitalisation companies. Such companies may not have the financial strength, diversity and resources of larger companies and more established companies and may find it more difficult to operate especially in periods of low economic growth. The market in the shares of such companies may be less liquid and as a consequence their share price may be more volatile that investment in larger companies.*
- *The company [trust] is expected to invest a significant proportion of its assets in unquoted securities which may be less liquid and more difficult to realise than public traded securities.*

There is much more detailed information in the 94-page prospectus than I need to set out here. But what I have seen shows that the WPCT was not portrayed as a “normal” run of the mill investment. In my view the nature of the trust and the risks of investing in it were clearly detailed and communicated.

Therefore, in light of the information in the prospectus and the brochure I have seen nothing that suggests the WPCT was marketed as a low risk investment and I am unsure why Mr C said it was. It was incumbent upon Mr C to read all of this information, as was recommended by Fidelity, before he made the decision to invest so if this didn’t happen Fidelity cannot be held responsible.

The information above also indicates that Fidelity met its obligations under the FCA principals of business in respect of the provision of information.

In summary therefore I am satisfied that Mr C wasn’t given information by Fidelity that crossed over into it providing him with advice nor do I think any interaction between Fidelity and Mr C could have been construed as such. I am also satisfied the information about the WPCT was accurate and fully detailed in a clear, fair and not misleading way and all of this information should have been read fully by Mr C before he embarked on the investment.

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 Mr C to accept or reject my decision before 25 March 2021.

Ayshea Khan
Ombudsman