

The complaint

Mr D has complained that Alan Steel (Asset Management) Limited (Alan Steel) failed to act in a timely manner in relation to his investment in the Woodford Equity Income Fund (WEIF). He feels this caused him financial loss as the fund was suspended and subsequently wound up.

What happened

Mr D invested with Alan Steel initially in 2014. He was assessed as being an investor who had a balanced attitude to risk. The investment in the WEIF represented a small proportion of Mr D's overall portfolio and while this proportion changed over the years it still remained at a relatively low level.

Mr D says he raised concerns in 2018 about the performance of the WEIF but says his adviser had reassured him to remain invested in the fund. Mr D has said he had further concerns in June 2019 at which point he asked his adviser to liquidate his WEIF holdings. However, by this point the fund had just been suspended so this wasn't possible.

Mr D has said that Alan Steel lacked the appropriate level of insight and risk management of the WEIF and didn't take appropriate or timely actions to protect his investments.

The complaint was assessed by one of our investigators who felt it couldn't be upheld. While he appreciated Mr D's position, he was satisfied that Alan Steel had given the advice to stay invested in the WEIF in good faith and based on what it knew and felt was likely to happen at that point in time. He felt the suspension of the fund couldn't have been predicted by Alan Steel and while Mr D had been adversely affected by this he didn't feel this was because of any failure by Alan Steel.

Mr D didn't agree with the assessment and remained of the view that Alan Steel hadn't acted in his best interest. He also reiterated that he had indicated his concerns over the fund a year before it was suspended yet Alan Steel had advised him to maintain his investment. He also mentioned that at this point in time he needed a lump sum of cash and so Alan Steel should have used the WEIF holdings to provide this. He also felt that as Alan Steel was, by its own admission, in close and regular contact with the fund managers it should have been fully aware of the poor situation of the fund.

The investigator considered Mr D's comments but wasn't persuaded to change his 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 am not upholding this complaint.

Initially, I must clarify that while Mr D has mentioned his wife in his complaint, as she also held a portfolio of investments with Alan Steel which included a small proportion in the WEIF, their investments are held in separate names. Therefore, they must be dealt with separately so this decision is focused only on Mr D's investments.

Mr D is unhappy with Alan Steel's advice which he says essentially reassured him about the WEIF and staying invested in the fund. However, hindsight can often play a big role in these types of complaints, so for me to decide Mr D's complaint I need to look at what Alan Steel would have reasonably known at the time about the fund and whether its advice/recommendations were reasonable in light of this.

No adviser is able to tell what will happen to a fund in the future and unfortunately no adviser will make the right decision every time. It is obviously hoped that they do and this is what they are paid for but ultimately all an adviser can do is base their advice on what they know of the relevant fund and markets at the time.

In this case the WEIF was managed by a fund manager who had a long history of investment success. He was widely known as one of the best fund managers in recent times. And while past performance isn't a definite indicator of future performance it is reasonable that a manager's track record is taken into account by advisers and investors alike.

Alan Steel has said that it met with the fund manager in 2019 and kept a close eye on the fund but based on what it seems to have been told by the fund manager and the assurances in relation to the liquidity in the fund it remained supportive of it. Alan Steel was obviously aware of the performance troubles of the fund but in my view, it seems to have explored this further and went straight to fund manager to understand what was happening and why. If the fund manager told Alan Steel information that may not have been accurate I don't think it's reasonable for Alan Steel to have known this at the time – all Alan Steel could do was to take what it was being told at face value and base its advice on that whilst also weighing up what it knew.

I have no reason to doubt that if Alan Steel had felt something dubious was happening within the fund that it would have made a different decision and there was no benefit to Alan Steel keeping Mr D invested in the WEIF when it was struggling unless it truly believed the fund would recover.

Further to this I haven't seen anything to suggest it knew any more than what was out there in the public domain so it would seem Alan Steel did what it felt was the right thing at the time. And this isn't something I can decide was wrong when considering what was known back then at the point in time.

I know Mr D has said that he had mentioned in 2018 he needed some cash for an upcoming holiday and has queried why his holdings in the WEIF weren't used to provide this. But looking at the information provided by Alan Steel, while I can see this was discussed and the adviser had suggested liquidating some of the holdings in WEIF, and other funds, it appears the confirmation to liquidate wasn't provided by Mr D until June 2019. No adviser is in a position to suggest liquidation of funds unless a consumer has requested this. And in this case it appears that liquidation of some assets wasn't confirmed until almost a year later so it doesn't seem to me Alan Steel failed to follow any instructions from Mr D in this regard.

Overall while I fully appreciate Mr D's position, I haven't seen anything that leads me to safely conclude Alan Steel did anything wrong. Yes, its advice to remain in the invested ultimately turned out to be financially detrimental to Mr D but I don't think this was due to any

wrong doing on Alan Steel's part. I also am of the view that as Mr D has said he had concerns over the fund as early as 2018 from what he had picked up through industry press, he could have made the decision to withdraw from the WEIF if he felt strongly enough even if Alan Steel was encouraging him to remain invested.

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 D to accept or reject my decision before 5 November 2021.

Ayshea Khan
Ombudsman