DRN-3379073

The complaint

Mrs F complains that she was given unsuitable investment advice by Premier Benefit Solutions Limited trading as Premier Wealth Planning (PWP). She's unhappy with their advice regarding the Woodford Equity Income Fund (WEIF) as she thinks it carried a higher level of risk than was appropriate for her circumstances at the time.

What happened

Mrs F and her husband received investment advice from PWP in January 2016. A financial review from the time noted that she had a reasonable knowledge of investments and a moderate attitude to risk (ATR). She was aged 49, in good health and married with two financially dependent children. She had an annual income of £50,000 and joint monthly expenditure of around £5,000.

She jointly owned two properties with her husband worth a combined £2m with an outstanding mortgage of £200,000. She had a SIPP worth around £100,000 and was noted as having a more "hands on" approach with her pension and she was interested in balanced risk options.

PWP recommended that she keep her existing holdings and look to increase them incrementally with the cash she held within her SIPP at the time. At the time around £17,000 or 17% of her holdings were held in the WEIF, she'd made an initial investment of around £10,000 in April 2015 and then invested a further £6,900 in the latter part of 2015.

Mrs F along with her husband complained to PWP in December 2019 about the suitability of the investments in the WEIF. PWP didn't uphold the complaint so she brought the complaint to this service where it was considered by one of our investigators. The investigator didn't think the complaint should be upheld and said, in summary:

- From what he'd seen, only 17 % of Mrs F's portfolio was invested in the WEIF. He didn't think its inclusion made the portfolio too risky as it was relatively balanced between low risk and higher risk assets.
- At the time the advice was given, Mrs F had shown an interest in UK Equity income funds. At the time the WEIF aimed to: 'Provide a reasonable level of income together with capital growth'. He also noted that in 2016 it had provided a historic income yield of 3.4% and around 50% of the fund holdings were invested in companies worth over £5bn. He thought this demonstrated that the WEIF was compatible with the fund characteristics Mrs F was looking for and therefore wasn't an unsuitable choice.
- He thought the WEIF's key investor information document (KIID) set out its investment policy and made it clear the fund had the potential to invest in a range of investments, including unquoted illiquid stocks, to achieve its aim.
- He hadn't seen evidence of an explicit statement made by PWP at the time that the WEIF included investments in unquoted, potentially illiquid stocks. But he was persuaded the potential for exposure to unquoted illiquid investments and the risks

associated with this, were brought to Mrs F and her husband's attention.

- The investigator hadn't seen that any questions were raised about the fund's underlying holdings at the time despite the information provided.

- He noted that the overall holdings in small companies (those worth less than £250m) within the WEIF was very low at the time – less than 7%. And the WEIF was also considered at the time to be a high-quality UK Equity Income fund. Therefore, he wasn't persuaded PWP made an error or that a different course of action would have been taken if they'd done more to highlight the WEIF's holding in smaller companies.

Mrs F didn't agree with his findings and said, in summary:

- The investigator had said that the riskiness of the WEIF had been diluted by the other holdings, but it was a very risky, adventurous fund and had no place in a portfolio for a balanced investor.

- There were doubts expressed in media coverage at the time about the WEIF but PWP didn't look into it enough and just followed general sentiment and the fund's track record.

The investigator wasn't persuaded to change his opinion so the complaint has been passed to me to make a decision.

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.

Mrs F's husband's investments has been the subject of a separate complaint so I will focus my findings on Mrs F's investments. From what I've seen her stated objectives were:

- *To implement and maintain proactive investment strategies for both **** and ***** pension provisions. Looking for bespoke strategies utilising a range of solutions/asset classes, to maximise growth prospects*.

- *Looking to use investment ISA allowances for 2010/11, for growth potential over 5 years*

I've seen a valuation from early January 2016 which shows that Mrs F's portfolio consisted of 13 different funds and a cash holding. It was made up of around 11% cash, 39% UK equities, 28% Global equities and 22% Multi-Asset. The WEIF was her second largest holding and made up 17% of her portfolio. She was also noted as having recently paid a further £15,000 in cash into the portfolio which doesn't appear to have been reflected in the valuation I've seen so I don't think it's unreasonable to suggest that the percentage of cash within the portfolio was higher than 11%.

I've considered the advice for Mrs F to keep her portfolio as it was. From what I've seen, she was satisfied with the performance, cost and makeup of her portfolio in 2016. It was noted at the time that she didn't want to change the asset allocation within her SIPP and wanted to wait 12 months before rebalancing it. It was also noted that she didn't want to move to the strategy recommended for her husband as her existing strategy had considerably outperformed her husband's pension and at a lower cost.

I appreciate the point Mrs F has made that the WEIF was too risky for her portfolio. The objective stated in its 2016 fund factsheet was: '*To provide a reasonable level of income together with capital growth. This will be achieved by investing primarily in UK listed companies.*' From what I've seen of Mrs F's objectives, I don't think this was inconsistent with what she wanted. However, I note that it had a risk rating of 5 out 7, which in isolation was riskier than her ATR.

I've looked at the makeup of Mrs F's portfolio. I don't think it's unreasonable for a portfolio to include products that are lower or higher risk than an investor's stated ATR – provided the overall balance of the portfolio is suitable. Based on what I've seen, I think that Mrs F's portfolio was suitably diversified between different asset classes. I also think that PWP provided her and her husband with enough information about the WEIF to enable her to make an informed decision about whether or not to keep it in her SIPP.

I think it's important to keep in mind that Mrs F didn't want to make any changes to her SIPP at the time. In January 2016, the WEIF was one of only two investments which had made any gains over the previous six months. And at the time, the WEIF had a good track record and was managed by a fund manager who had a long history of investment success.

A valuation from 2019 shows that the WEIF only made up 4.5% of Mrs F's SIPP. The value of the SIPP had grown to around £287,000 but most of the new funds had been left as cash or invested in funds that carried a risk level of balanced or greater. The asset split was now 29% Cash, 10% UK Equities, 29% Overseas Equities and 32% Multi Asset. Two funds were purchased which were rated as having a higher risk level than the WEIF. Taking everything into account, I don't think it's unreasonable to suggest that Mrs F wasn't averse to investing in products that carried a higher than medium level of risk.

So, having considered everything, I don't think I can fairly say that PWP have done anything wrong or acted unprofessionally in advising her to keep her portfolio as it was.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 15 July 2022.

Marc Purnell
Ombudsman