

## The complaint

Miss A complains St James's Place Wealth Management Plc (SJP) provided unsuitable advice and poor service.

She complains that SJP recommended she invest partly in a money fund in case investment markets fell in future and that SJP then failed to advise her to move from this into investment markets at a suitable time.

She seeks redress for lost investment return, a refund of fees she paid for services she says weren't provided to the level agreed, and redress for the stress and inconvenience she says all this caused her.

## What happened

Miss A invested alongside her partner who received the same advice and she and her partner had interactions with SJP on behalf of them both. So when referring below to things said or done by Miss A, I include things said or done by her partner on her behalf.

In March 2020 Miss A approached SJP because the stock market had fallen to what she says she saw as an unusually low level and she wanted to invest. An advice meeting with SJP took place online on 25 March. As a result Miss A made two payments of around £21,000 to use her £20,000 ISA allowances for the 2019/20 and 2020/2021 tax years (around £1000 in charges being deducted each time). The first payment was invested on 3 April with 50% in a money fund and the second on 20 April with 40% in the money fund. A 31 March SJP advice report covered the first payment and a 7 April advice letter covered the second payment.

SJP says its recommendation of the money fund was in response to concerns Miss A had about investing in the stock market at the time. Miss A disagrees and says keeping money out of the market in the money fund was SJP's idea. She says SJP suggested she use the money fund - which invested in cash and cash-like instruments rather than in shares - so that she might benefit if the stock market fell in future.

Miss A says she understood SJP would advise her on when to move into the market and she expected this to happen relatively quickly. But this still hadn't happened a year and a half later. She says she didn't mean to keep her money in cash for that long because if she had she would've just kept it in a bank account. She says she didn't think it would be left to her to make contact at the right time and if she had she would've used a cheaper provider. She says she paid SJP's fees and put money into the ISA in order to invest in the market. But she says there was little contact from SJP compared to what she had expected.

SJP's 31 March 2020 advice report said Miss A was *"...very keen to take advantage of the markets current position."* It assessed her agreed investment 'risk profile' as *"Medium Risk"*. It said this meant: *"You want your capital to keep pace with inflation and are investing for at least five years. You want the potential to achieve better long-term returns and are comfortable with most of your capital being invested in equities and property, some of it overseas. You realise there may be significant falls in the value of your investments."*

The report said the money fund *“is not consistent with your attitude to risk for this plan as it is below your attitude to risk”*. But it said the fund was recommended *“because the markets are so unstable at present”*. It said the fund aimed to preserve capital and maintain liquidity and that Miss A also wished *“to benefit from pound cost averaging and to avoid the risk of a post-investment market shock having a marked adverse impact on the value of your investment.”*

The report had also said: *“You would like the benefit of my guidance going forward, and you strongly believe that active management of your funds will help to achieve your long-term financial goals. You feel the St James’s Place Investment Management Approach and regular face to face reviews will help you understand your investment and keep track of its performance.”* It also said: *“You will assess the market on a regular basis and contact me to arrange the transferring of funds.”*

The 7 April 2020 advice letter referred to the 31 March report and gave the same reason for using the money fund. It also said, of the fund selection as a whole: *“I recommend this fund selection because it provides you with a level of equity exposure which we agreed was desirable and commensurate with your risk outlook and investment time horizon whilst spreading investment under the regular monitoring of managers by the St James’s Place Investment Committee.”*

The letter also said: *“You think equities will bring the greatest opportunity for growth over time but note that they tend to bring the greatest volatility too. You accept this in order to try and maximise your growth potential.”* Like the March report it also said: *“You will assess the market on a regular basis and contact me to arrange the transferring of funds.”*

The letter also said: *“As part of my ongoing service, I will continue to conduct annual face to face reviews and be available to meet if your circumstances change during the year. I will also be available to speak on the telephone between review meetings to discuss any financial matters important to you if your needs change. During our review meetings, I will fully review your financial goals and adapt to any changes and if applicable review and rebalance your investment portfolio and fund choices. I can also send you regular financial communications tailored to you and your interests.”*

There was an automatic transfer facility which if used would’ve been used to automatically move money at regular intervals from the money fund into the other, riskier, funds Miss A’s ISA held. SJP says this facility wasn’t used because Miss A wanted to control the timing of such moves. Miss A says the facility wasn’t used because she expected all the money to go into riskier funds within a short time, so she didn’t need to drip-feed it in. SJP’s 7 April 2020 letter, referring to the selection of the money fund, said: *“...this is intended to be a short term plan only intending to protect your funds being moved into new investment funds over the next few months, aiming to avoid volatility should the markets become even more unstable.”*

Miss A says the contact with SJP over the months that followed had to be initiated by her rather than being set up by SJP. There were calls between her and SJP on 25 August 2020 and 29 October. SJP has no record of what was said. Miss A says she contacted SJP about moving from the money fund. She has said the calls were made at times she thought might be good times to invest in markets – just as her decision to start the ISA had been prompted by the same idea. She says SJP talked her out of moving into the market during the calls – just like she says SJP had talked her out of investing fully in the market at the start.

SJP says Miss A made her own decision not to invest in October 2020 due to the potential for a second pandemic lockdown and that generally more wasn’t moved into the stock market because Miss A wasn’t sure about doing this when it was discussed at those times. SJP also claims it suggested Miss A use a fixed interest fund instead of the money fund but she rejected this. Miss A maintains that SJP told her it wasn’t the right time to move into the

stock market in October 2020.

Miss A says she messaged SJP on 29 April 2021 to highlight her concerns as the market had increased since the October 2020 conversation by over 25% in 6 months. SJP has a call note for 5 May 2021, which it says was the annual review. This says Miss A had: *“made large gains since investing but hold 50% of their portfolio in cash pending investment. Wished they had moved fund across sooner but did not want to commit to any decision just yet”*. SJP says it suggested using fixed interest investments in the meantime instead of the money fund, but says Miss A wasn't interested in that.

In September 2021 a letter from SJP to Miss A noted that she hadn't intended to remain in the money fund for so long and was disappointed with missed growth but didn't wish to invest at that time due to pandemic concerns linked to school term starting. Miss A agrees the potential for the pandemic to affect the market put her off moving more into the market at that time but points out that the market was already 30% up by then since October 2020. From what she has said, she didn't want to rush into the market at that point because - having missed out already on a 30% increase - she didn't want to make it worse by investing at a time when she perceived a risk that might lead to a market fall.

The September 2021 letter said SJP left fund switching information with Miss A at that time. It also claimed that moving into the market had been discussed by SJP with her *“on several occasions”*, although it didn't detail these occasions.

Miss A says SJP didn't give a good reason for why the funds hadn't been invested when she met SJP face to face. SJP says this refers to a September 2021 meeting but Miss A refers to it as October 2021. Miss A says she felt SJP was rushing her into making a decision at that point. She has said she remained in the money fund until January 2022 when her new adviser reinvested the money. She has said the service from her new adviser in her view highlighted that SJP had lacked attentiveness previously.

Miss A says she is aware that stock market movements can't be predicted but she was led to believe that SJP's advisers, with help from fund managers, could advise customers as to the best plan of action, taking into account their attitude to risk. Miss A has also told us that during exchanges with SJP she considers SJP asked her what she thought rather than offering its advice or an opinion. She has also said the situation was stressful and caused discomfort on account of family members having existing relationships with the same SJP adviser, which meant she hadn't wanted to complain.

Having considered the complaint, our investigator thought the money fund wasn't consistent with SJP's assessment of Miss A's risk attitude as *“medium”* or with her desire to invest over the medium to long term. But our investigator thought Miss A wished to keep some money out of the stock market in the short term and that the advice to use of the money fund was suitable with that in mind. Our investigator noted this was expected to be a short-term measure and that SJP's advice letter said Miss A would *“assess the market on a regular basis”* and contact SJP *“to arrange the transferring of funds”*.

But our investigator noted SJP's March 2020 report had said SJP would be "*conducting regular reviews of your circumstances to ensure the course of action taken today remains appropriate, as it is likely your objectives and circumstances will change over time*". Our investigator thought SJP hadn't done enough to fulfil its agreement to "*provide... ongoing advice to review your investment and ensure it remains appropriate*". In particular, our investigator thought SJP hadn't done enough, during its exchanges with Miss A, to remind her that the money fund remained inconsistent with her risk attitude - given that she had continued to hold money there for longer than had been planned initially. For example our investigator thought this should've been discussed in the May 2021 meeting and the meeting note didn't show it had been discussed and most likely it hadn't been discussed.

Overall our investigator thought this meant SJP hadn't given Miss A the ongoing advice she had paid for and thought SJP should refund the ongoing advice fee it charged for its service in the first year (but not the fee for the initial advice). SJP has told us this ongoing advice fee was around £230 in the first year (the illustration for the first £21,000 investment shows a figure of around £100 for that investment).

Our investigator also thought that SJP's failings, such as its failure to give Miss A the ongoing service it had led her to expect, had caused Miss A worry - for example about what to do with her holding in the money fund - and SJP should pay her £300 for this.

But our investigator also thought Miss A had likely been reluctant to invest in the stock market due to ongoing pandemic risks. So our investigator didn't say SJP should pay Miss A for the growth she would've had if instead of remaining in the money fund she'd invested in the way SJP had advised her to invest the rest of the money in her ISA, which had grown more over the period.

SJP rejected our investigator's view on the basis that its adviser wasn't permitted to make recommendations on the timing of fund switches and SJP would not expect its adviser to actively recommend fund switches in light of market volatility. SJP says its approach isn't based on attempting to time market entry correctly but based instead on "*time in the market*". Also its advice letter had said Miss A would be responsible for timing the investments, when it had said to her: "*You will assess the market on a regular basis and contact me to arrange the transferring of funds.*" Also its advice letter had noted the fund selection with the money fund was intended as a short-term plan only. SJP didn't think it could've done more to assist Miss A than it did and said it would've been clear to her that she would lose out on market growth if the market rose and she remained in the money fund.

SJP also says the first review meeting was due around April 2021. It says the October 2020 call took place before then but at a time – six months on from the initial advice – when a move from the money fund ought to have been considered given that the fund was only suitable for short-term use. Overall SJP considered the service it had given Miss A was satisfactory and in line with its offering and its promises.

Miss A didn't provide anything new in reply to the investigator's assessment.

### **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, my conclusions are in line with those arrived at by our investigator and I've arrived at them for broadly similar reasons. I've briefly summarised these below.

SJP advised Miss A to invest partly into funds with stock market risk that it said matched the medium risk profile it had assessed her as having – and Miss A followed that advice. It didn't recommend she fully invest the ISA in line with that medium risk profile. Its advice letter said the money fund was used for the rest of her money as "*a short term plan*" and "*to protect your funds*" and in case "*markets become even more unstable*" and that the money would be "*moved into new investment funds over the next few months*".

Also SJP's advice letter said Miss A wished to benefit from "*pound-cost averaging*". This means that rather than moving all her ISA money into investment funds in one go, it would be moved at more than one point in time and be kept in the money fund in the meantime.

This approach was taken because, according to SJP's advice letter, Miss A was concerned to avoid the impact of a future market shock. Miss A says keeping money out of the market in the money fund was SJP's idea (and it was certainly SJP's recommendation) and she approached SJP to invest and take advantage of market falls that had occurred (as noted also in SJP's advice documents).

I've thought about all this carefully. It was SJP's role, as adviser, to discuss risks as part of the advice process, even if Miss A wasn't very concerned about downside market risk. So it was legitimate for SJP to bear in mind in its advice and discussions with Miss A that markets rise and fall and that recent market falls might reverse but might also continue.

SJP's advice to use the money fund with a view to moving into the market in the near future, wasn't in my view inconsistent with Miss A's recorded desire to take advantage of the recent market falls. I bear in mind that money kept secure in the money fund would be available to take advantage of lower market prices if these arose in future due to further market falls.

Also I'm satisfied Miss A understood the nature of the money fund and knew money there was protected if stock markets fell, as they had over previous weeks, but wouldn't benefit from a stock market recovery. SJP made clear the money fund was not a medium risk but a low risk fund. Whether to avoid the risk of loss in the short term or to try to better her return in the long term, it is apparent that in accepting SJP's advice Miss A was open to the idea of waiting to see if there was a better moment to invest some of her money. I'm satisfied the approach taken reflected her view of markets and her willingness to take risk at the time.

In saying all this I don't overlook that SJP says its approach is based on "*time in the market*" not on trying to time the market and it says it wouldn't advise fund switches in light of market volatility. But it is apparent that SJP in this case advised the use of a money fund in the short term due to market volatility it noted existed at the time. Also, just as it's clear the money in the money fund was expected to be moved into investment markets within months, it's clear that whether the time was right for this was to be judged based on future market conditions and not on a pre-planned investment date or dates. No plans for particular investment dates were made and SJP didn't set up a regular investment facility to feed money into the market. Instead SJP's advice documents said Miss A would "*assess the market on a regular basis*".

Miss A says she understood SJP would advise her on when to move into the market. As noted above, SJP's advice documents said it would be for Miss A to monitor the market with a view to contacting SJP about moving her funds. From what I've seen I don't think SJP said it would monitor markets with a view to letting Miss A know when a good time to invest arrived. SJP's advice documents promised to set up an annual review but didn't promise to arrange other meetings. Also, as for identifying a good time to invest, SJP wasn't in a position to know how market prices might change in future. Ultimately it was for Miss A to decide whether or when she wished to invest in markets.

That said, I agree with our investigator that, having recommended the money fund on the basis that money there would be moved to new funds over the next few months, SJP ought to have done more to follow up on the situation. I bear in mind here that Miss A did not make contact in the manner anticipated and continued with her money fund holding for longer than had been planned. More than four months passed before the August 2020 call for example. It was plainly foreseeable as a lay person seeking SJP's advice that Miss A might fail to identify a suitable investment point as planned and that the plan SJP left Miss A with might not work as intended. Also I bear in mind that the money fund SJP had advised Miss A to use was, according to SJP, a fund designed for short term use only. So the position would seem to require review sooner than the usual annual review that SJP would set up.

Miss A says that when she did speak to SJP it dissuaded her from moving into the markets. I don't doubt when Miss A contacted SJP it was to discuss moving from the money fund. The fact money wasn't invested shows that SJP didn't recommend that she move her money. With the benefit of hindsight it can be seen that advice to move sooner would have produced a better result in October 2020 at least. But I can't fault SJP for not pinpointing when markets might turn or for not being able to accurately predict whether a market recovery would continue or reverse. Also I've no evidence that SJP gave Miss A misleading or inaccurate information during those calls.

I note in passing that if SJP did advise Miss A during those calls to wait like she says, then SJP did provide her guidance of the kind she says she was seeking, although with hindsight it would've been better to invest sooner. That said, SJP maintains that it didn't give guidance or advice like this and says Miss A made her own decision not to move from the money fund each time. Whether advice was given or not it was for Miss A to decide whether or when to move from the money fund and SJP couldn't know what the right answer was from a market timing standpoint or make that decision for her. Ultimately it seems to me Miss A decided not to move from the money fund and I'm satisfied she was aware of the implications of that decision on an ongoing basis and each time she made it.

Overall I agree with our investigator that the recommendations SJP gave at the outset were suitable but there were shortcomings in the level of service it gave afterwards given that the advice hadn't resolved the situation of part of Miss A's ISA investment for anything other than the very short term. In reaching my view I also do give some weight to what Miss A has said about her expectations. She accepts stock markets can't be predicted but she believed SJP would give her some sort of guidance in this area. SJP says it wouldn't even attempt this. It does seem that SJP failed to convey to Miss A the limitations to or extent of the assistance it was likely to give to her after she accepted its advice to use the money fund. In my view that was a failing and will have contributed to Miss A's disappointment.

That said, like our investigator and based on the interactions that did take place, I'm not persuaded that more frequent or pro-active interactions by SJP would have led to a different or more favourable investment outcome. I don't think SJP was wrong if it did point out that markets could fall further, and it wasn't able to point out when a market recovery was about to take place. But I do think SJP not being as proactive as I think it ought to have been is likely to have contributed to the stress Miss A has said arose from this situation.

In conclusion I share our investigator's view that SJP didn't give Miss A the ongoing service that it ought to have given her. To compensate her for this I think it would be fair and reasonable in all the circumstances here for SJP to refund the ongoing advice fee it charged for the first year. I also think SJP should pay Miss A £300 for the disappointment which I find arose from SJP's shortcomings.

### **Putting things right**

To put things right St. James's Place Wealth Management Plc should refund to Miss A the first year's charges for ongoing advice and pay her £300 for distress and inconvenience caused to her by the failings I've identified above.

### **My final decision**

For the reasons I've given above I uphold Miss A's complaint.

St. James's Place Wealth Management Plc should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 1 June 2023.

Richard Sheridan  
**Ombudsman**