

The complaint

Mrs S complains Centurion Wealth Management Limited trading as WBW Chartered Financial Planners (“Centurion”) contributed to her investments being traded excessively.

Mrs S is assisted in her complaint by a representative. For simplicity I refer below to Mrs S when referring to things said or done by Mrs S or by her representative on her behalf.

What happened

In the late 2000s Mrs S was advised to have her pension investments managed by a discretionary investment manager. In the early 2020s, with help from a knowledgeable friend with expertise in the field, she complained that the investment manager had, in the previous four years, conducted an excessive volume of trades with a 370% turnover of the portfolio.

Mrs S considered this volume of trading was excessive, particularly given her portfolio was made up of collective investment funds rather than individual shares. Also transaction costs and fees amounted to roughly twice the £18,000 income the portfolio had generated, which in her view pointed to and reinforced the view that the trading volume had been excessive and not in her interests. The portfolio manager maintained it had legitimate reasons for its trading volume and that this was supported by the performance which had outperformed its benchmark. Mrs S considered the outperformance in recent years to be patchy at best and pointed out that in the two quarters where trading volume was less than 10% of the portfolio, it outperformed its benchmark. So the high trading volume was not in her view intrinsic to the portfolio’s outperformance and wasn’t in her best interests but in the investment manager’s.

Mrs S doesn’t argue that the asset allocation or choice of holdings the investment manager made for the portfolio was inappropriate for her modest risk attitude, nor does she argue that the modest risk attitude on which the investment mandate was based was not appropriate for her or didn’t reflect her willingness to take risk. Nor does she argue that a discretionary management arrangement was in itself unsuitable. But she says the way the investment manager exercised its mandate was inappropriate due to the volume of trades.

Mrs S’s complaint about Centurion is that it didn’t, as her financial adviser, pick up on this excessive trading during its annual reviews with her. Those reviews, while convivial, were, from Mrs S’s point of view and with input from her more knowledgeable friend, superficial and lacked any sort of proper examination of how her portfolio was being managed, as the excessive trading that had been taking place would otherwise have been identified.

Our investigator who looked at the complaint considered Centurion had discussed Mrs S’s portfolio with her, noting that its 2021 review letter included:

“We have discussed market fluctuations, how these might impact on the level of growth and income within your investments, and how exposure to risk means that you could potentially lose all or some of your investment. You have been comfortable with fluctuations in the value of your investments in the past and remain happy with the current strategy.”

Also: *“At our meeting I provided you with an updated portfolio summary pack. This included*

a detailed breakdown of your portfolio's performance and returns, along with details of the underlying holdings."

Our investigator also noted that Mrs S acknowledged in 2021: *"We are living in extraordinary times and a reasonable rebalancing of portfolios can and perhaps should be expected."*

Our investigator discussed two concerns raised by Mrs S. Firstly that the volume of trading on the account was excessive and for that reason manifestly inappropriate and not in her interests, regardless of whether the portfolio investments were otherwise suitable for her circumstances and moderate risk profile. Secondly, that Centurion didn't point out or mention the volume of trades nor, as far as she recalls, discuss whether alternative services may have been lower cost. Mrs S said: *"Surely this is all part of managing the suitability taking into account all aspects of my financial affairs and my objectives."*

Having considered all this, our investigator didn't think the complaint should be upheld. He didn't think the investment management of the portfolio had involved excessive trading. Also he thought the portfolio suitable for Mrs S's risk profile and that the use of an investment manager wasn't unreasonable in itself (which hadn't been disputed). Also he didn't think the costs *"extremely high"* for an investment management and advice service.

Mrs S disagreed with our investigator's conclusions. She acknowledged the contents of the portfolio were suitable, but she thought it not unreasonable to expect the way the portfolio was managed to be suitably run for her, which she considered was very open to question.

She said that in the reviews with Centurion, general market conditions and the performance of the benchmark might have been mentioned, but portfolio investments weren't discussed individually or in detail with her. Rather it was a general chat, with business not the first priority. In her view, by visiting her but without commenting on the volumes of trades taking place, Centurion didn't go far enough. She said Centurion as a city professional must have noticed the churn of the investments and should have taken this up with the investment manager but there is no sign that it did. She considered the investment manager to be the most at fault, but Centurion was far from blameless given that her pension investments were turned over by 370% in four years. She questioned whether this style of management best served her as the client, notwithstanding that these were extraordinary times where reasonable portfolio rebalancing was expected.

As the complaint couldn't be resolved informally, so it was 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've arrived at the same conclusion as our investigator and for broadly the same reasons. I won't repeat here all our investigator said, but I'll briefly explain my reasoning.

Having considered the portfolio and the transactions made, and taking Mrs S's assertions at face value, I'm not persuaded the trading volume was in itself so great as to place the investment manager's management of Mrs S's portfolio outside the range of reasonable and legitimate approaches a competent investment manager could take. I note the volume was high bearing in mind the underlying investments were collective investment schemes and so the costs of the approach made it expensive, or at least more expensive than a more passive approach. But it was an approach that had succeeded overall as judged by its performance against its benchmark.

With this in mind, returning to the question of Centurion's responsibilities, it follows that I do not think Centurion was at fault for not advising Mrs S to end the investment management relationship its adviser had put in place. I note the focus of Mrs S's complaint was on the most recent four years of the portfolio, where the management has apparently been less successful in the face of what the manager called "*challenging*" investment conditions of the period. But it seems to me that Centurion can't be faulted for not advising Mrs S to end an arrangement that had succeeded up to that point overall.

I do accept Mrs S's view that reviews of the kind that were conducted annually by Centurion ought to have considered the detail of how her investments were being managed, such that Centurion should have been mindful of the extent to which dealing costs and fees were impacting portfolio returns. But given what I've said above, I don't take the view that such exercises if undertaken would've led Centurion to advise Mrs S to change her arrangements. Also I don't see any grounds for supposing that Mrs S, as a lay person trusting and relying on her adviser, would've changed her arrangements without such advice from Centurion.

I'd emphasise that I don't find that Centurion ought to have advised Mrs S to change her arrangements, but the cost of the active management involved means I understand and find it reasonable that Mrs S would question whether a less active approach might have been better or might serve her better in future. But even if another approach had done better, which is not at all certain given that Mrs S's portfolio returns exceeded its benchmark overall, this doesn't mean the approach taken was inappropriate or that Centurion acted negligently in not advising Mrs S to alter it.

In conclusion, and in light of all I've said above, I've not identified a reason to uphold Mrs S's complaint about Centurion. So I don't uphold the complaint. I appreciate that my conclusion will disappoint Mrs S and I'm grateful to her for the courteous and prompt responses she has given us throughout the course of our consideration of these matters.

My final decision

For the reasons I've given and in light of all I've said above, I don't uphold Mrs S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 26 February 2024.

Richard Sheridan
Ombudsman