

## **The complaint**

Mr M complains that Hargreaves Lansdown Advisory Services Limited (“HLAS”) gave an unsuitable recommendation to invest part of his portfolio into the Wood Income Focus Fund (“WIFF”) and failed in its duty of care.

## **What happened**

Following a meeting in February 2019, in March 2019 HLAS provided investment advice to Mr and Mrs M. This decision concerns Mr M only.

HLAS recommended disposing of an existing stocks and shares ISA portfolio of £454,532 held with a third party and investing the proceeds into a diverse portfolio of managed investment funds, of which 10.5% was in the WIFF. Upon investment, Mr M moved to an execution only service with Hargreaves Lansdown Asset Management Service (HLAM). When the WIFF was removed from the Wealth 50 list, Mr M received a notification. Mr M sold his holdings in WIFF for a loss in June 2019.

Mr M maintains that it was unsuitable to recommend investment in WIFF and HLAS failed in its duty of care. Mr M seeks compensation for his losses.

HLAS say that the recommendation to move to a portfolio of managed investment funds was in line with Mr M’s objectives. HLAS did not provide ongoing advice and Mr M made the decision to sell his WIFF holdings. Mr M was notified of the decision to remove WIFF from the Wealth 50 (a best buy list of investment funds published by HLAM) following volatility after the suspension of another Woodford fund in June 2019.

Our investigator did not uphold the complaint. He thought HLAS’s recommendation was in line with Mr M’s objectives, moving to exposure to managed equities of around 75%. Mr M’s exposure to WIFF, amounting to 10% of the portfolio, did not expose him to more risk than he wanted to take. HLAS did not provide any advice in June 2019 and Mr M’s decision to sell WIFF holdings wasn’t prompted by HLAS but by information in third party sources.

Mr M does not agree. He maintains that risk tolerance is not relevant when considering the recommendation to include WIFF in the portfolio, the removal of the WIFF from the Wealth List was tardy, the decision to replace the fund manager and the decision by the new manager to replace the holdings in WIFF was indicative of the lack of suitability of the recommendation. Mr M also pointed to the temporary suspension of the fund in October 2019.

As the parties do not agree the matter has come to me for a final 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.

I think it is helpful to explain at the outset that HLAS were responsible for the initial advice to

invest in WIFF. Once the investment was made, HLAS were not responsible for the investment decisions made by Mr M. Mr M elected to hold the investment on an execution only basis.

I've considered Mr M's circumstances at the time advice was sought. Mr M had substantial funds in a stock and shares ISA and was looking to move to a diverse portfolio of collective investments, with the aim of achieving an income and some capital growth to support his retirement. Mr M described himself as advanced in his knowledge and experience of financial matters and was prepared to take more risk to gain higher returns, agreeing that his risk tolerance fell at 5 out of scale of 7, indicating an above average risk tolerance towards the higher end. Mr M was looking to invest for the longer term. It's clear from the fact find questionnaire and suitability report that Mr M had capacity to withstand losses. The overall recommendation moved Mr M's investments to a portfolio with 75-85% of funds in managed equities, in line with his objectives. On balance, I am persuaded that it is more likely than not that the recommendation was suitable for Mr M's needs taking into account Mr M's circumstances, attitude to risk, objectives and capacity for loss at the time.

I've also considered that the WIFF formed only 10.5% of the overall recommended portfolio. The aim of the fund was to provide a high level of income with capital growth, which was in line with Mr M's objectives. I'm not persuaded 10.5% was an unsuitably large exposure to one fund given Mr M's overall portfolio. And I've also taken into account that within the WIFF there was a breadth of investment, providing diversification and no guarantees as to performance were made. The level of risk exposure was within Mr M's tolerance and it's important to highlight that the WIFF was not exposed to the same liquidity issues that arose with another Woodford fund. It wouldn't be fair and reasonable for me to discount the fact that Mr M was prepared to take more risk to secure higher returns.

I've noted the points raised by Mr M but it is not fair and reasonable to make an assessment with the benefit of hindsight. The matters relied upon by Mr M, such as the suspension of WIFF in October 2019 and the later change in fund manager, took place several months after the advice to invest in WIFF was provided and after his decision to sell. Overall, I'm not persuaded that HLAS did anything wrong in recommending investment of 10.5% of the overall holdings into WIFF.

It is common ground that HLAS did not provide advice to sell the WIFF holdings in June 2019. Whilst I appreciate Mr M's disappointment about the losses he sustained, ultimately, it was his decision to sell.

### **My final decision**

I'm sorry to disappoint Mr M, but for the reasons given, I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 April 2023.

Sarah Tozzi  
**Ombudsman**