

The complaint

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

What happened

Following a meeting in February 2019 at which Mr M attended on Mrs M’s behalf, in March 2019 HLAS provided investment advice to Mr and Mrs M. This decision concerns Mrs M only.

HLAS recommended disposing of an existing stocks and shares ISA portfolio of £367,098 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, Mrs M moved to an execution only service with Hargreaves Lansdown Asset Management Service (HLAM). When the WIFF was removed from the Wealth 50 list, Mrs M received a notification. Mrs M sold her holdings in WIFF for a loss in June 2019.

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

HLAS say that the recommendation to move to a portfolio of managed investment funds was in line with Mrs M’s objectives. HLAS did not provide ongoing advice and Mrs M made the decision to sell her WIFF holdings. Mrs 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 Mrs M’s objectives, moving to exposure to managed equities of around 75%. Mrs M’s exposure to WIFF, amounting to 10% of the portfolio, did not expose her to more risk than she wanted to take. HLAS did not provide any advice in June 2019 and Mrs M’s decision to sell WIFF holdings wasn’t prompted by HLAS but by information in third party sources.

Mrs M does not agree. Mrs M points to negative press reviews of the fund manager in and around June 2019. Further, it is said on her behalf 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. Temporary suspension of the fund in October 2019 was also highlighted.

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 Mrs M. Mrs M elected to hold the investment on an execution only basis.

I've considered Mrs M's circumstances at the time advice was sought. Mrs M had given consent to be represented at the meeting with the adviser and I've seen that a copy of the advice was sent for her attention. So, I'm persuaded it is likely that the information recorded about her circumstances was accurate.

Mrs 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 her retirement. It was said on Mrs M's behalf that she was prepared to take more risk to gain higher returns, having a risk tolerance of 5 out of scale of 7, indicating a risk tolerance towards the higher end. Mrs M was looking to invest for the longer term. It's clear from the fact find questionnaire and suitability report that Mrs M had capacity to withstand losses. The overall recommendation moved Mrs M's investments to a portfolio with 75-85% of funds in managed equities, in line with her objectives. On balance, I am persuaded that it is more likely than not that the recommendation was suitable for Mrs M's needs taking into account Mrs 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 higher level of income with capital growth, which was in line with Mrs M's objectives. I'm not persuaded 10.5% was an unsuitably large exposure to one fund given Mrs 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 Mrs M's tolerance and it's important to highlight that 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 Mrs M was prepared to take more risk to secure higher returns.

I've noted the points raised by Mrs M but it is not fair and reasonable to make an assessment with the benefit of hindsight. The matters relied upon by Mrs 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 her 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 Mrs M's disappointment about the losses she sustained, ultimately, it was her decision to sell.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 27 April 2023.

Sarah Tozzi

Ombudsman