DRN-4636105

The complaint

Mr S has complained that Newbridge Financial Planning Limited (Newbridge) did not follow his instruction to convert his equity based pension benefits to cash. As a result, He feels that he has suffered a material financial loss.

Mr S would like to be compensated for any financial loss he has suffered.

What happened

In June 2017. Mr S became a client of Newbridge, which provided him with ongoing financial advice about his pension investments. Mr S raised no issues with the advice he received from Newbridge prior to 1 January 2020.

Newbridge produced a risk profile for Mr S on 15 January 2019, in which his attitude to risk was determined as being six, a *High Medium* rating.

Newbridge contacted Mr S on 10 March 2020, as the effects of the covid pandemic were causing very volatile investment conditions. It said

Whilst we are unable to predict how the financial markets will react over the coming days, weeks and months, we can offer you the reassurance that we are carefully monitoring the progression of the Coronavirus outbreak and its effects on financial markets. Should we feel that a change in the investment strategy of your funds is needed, we will be in touch with you as soon as possible to recommend a change.

A further email was sent by Newbridge on 16 March 2020. It said

Given the levels of volatility in the FTSE 100 and other financial markets over the past number of days, we are recommending that you temporarily switch your funds from all equity investments, and move them into the [X] Money fund (which already forms part of your portfolio). This is a Money Market fund and is classified as Very Low/No Risk. We believe that affecting this switch will go some way to de-risk your portfolios and help to mitigate any major losses to values (please note we cannot guarantee this).

Newbridge asked Mr S to respond within 24 hours as they required his confirmation via email that he was happy with the recommendation to switch.

Mr S responded 15 minutes later confirming he was

happy to accept

Newbridge's advice to switch to the [X] Money Fund.

Mr S's equity based investments were sold on 17 March 2020 and the proceeds transferred into the [X] Money fund on 19 March 2020.

In June 2020, Newbridge advised Mr S to start reinvesting in lower risk assets. It recommended switching the funds from the [X] Money fund to a lower risk portfolio managed by Newbridge. Mr S gave his consent to this on 6 July 2020.

In November 2020, Newbridge produced a suitability report for Mr S recommending that he reinvest in equities. Mr S agreed to this on 18 November 2020, and his funds were subsequently switched to an equity based portfolio also managed by Newbridge.

Mr S emailed Newbridge on 9 March 2021, as he was concerned about the significant fall in value of his pension funds.

Newbridge responded the same day saying when they made the decision to start investing back into equities, it had considered research showing that equity markets could be volatile during the first six months of 2021. This lead to the recommendation to

Phase back into equities rather than go in all at once

On 2 May 2023, Mr S responded to an email from Newbridge seeking clients' views on performance over the preceding 12 months. Mr S noted:

speaking personally I've been watching the longer term (in the hope that the shorter term will improve considerably. I'm down a considerable percentage since the inception. Somehow my investments dropped during covid. You had mentioned this was because I'd asked for them all to be cashed in but I don't understand the link between this and such a permanent loss of value.

Following a response from Newbridge, Mr S replied to say that he had hoped to

cash in at a height (approx. £400k) and buy back at a lower price.

He also asked Newbridge to tell him when his assets had been sold and when the buy back of equity based investments had taken place. Newbridge replied on 22 May with the information Mr S had requested.

Mr S emailed Newbridge again on 5 September 2023. He said he never really understood the major fall in value of his investments. On 8 September he clarified that he particularly wanted to know why his investments had fallen so much in value between 22 January to 31 March 2020. He said he

Thought I had asked for conversion to cash at £400k

and asked to raise a formal complaint against Newbridge. Newbridge acknowledged his complaint on 11 September 2023. Mr S clarified that he wanted the complaint to centre on his losses between 1 January and 31 March 2020.

Newbridge responded to Mr S on 8 September 2023, not upholding his complaint. Newbridge stated that Mr S was complaining about three elements:

The first was the performance of his investments, which it said had been caused by volatility in the markets. It concluded:

…..markets were affected badly and for any clients invested, no matter what the level of risk, would have seen a dramatic downturn in valuations. This was an unprecedented event and there is nothing that we could have done to avoid the downturn in your valuations over this time.

It also reviewed his attitude to risk, which it had assessed as five, *balanced*, and concluded that the investments he was in were suitable for his attitude to risk. It also said:

even though we previously discussed reducing your risk you were happy to remain at a risk level of 5 for the majority of time your funds have been invested.

The next aspect of Mr S's complaint was stated by Newbridge to be:

how long it took for us to move your funds to cash once your valuation dropped below £400,000.

In relation to this element of his complaint, Newbridge stated that it felt it had

acted very quickly to your request to move funds to cash once your value dropped below £400,000.

The final element to Mr S's complaint was the process of reinvesting funds. It stated that it did not have discretionary rights to act on Mr S's behalf, so had to seek his authority for all changes to his investments, which it had done. Consequently, It did not uphold this element of his complaint either.

Unhappy with this response to his complaint, Mr S brought his complaint to this service.

Our investigator reviewed all the evidence and came to the view that the complaint should not be upheld.

Mr S was unhappy with this view and so this case has been passed to me to review the evidence again and make 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.

Having reviewed all the evidence in this case, I agree with our investigator and do not uphold this complaint.

I can appreciate that this will be disappointing to Mr S, so I will explain my reasons.

Before I do, I think it appropriate to reflect on the purpose of this service. It is to investigate complaints and decide whether a business has made errors in the way it has treated a customer, or treated them unfairly.
Essentially, in the circumstances of this complaint I have to decide if Newbridge has made any errors in the way it handled Mr S's pension investments during the period in question.
I also think the key here is related to Mr S's view that he had previously instructed Newbridge to move his investments into **cash** when his overall fund value fell below £400,000. He feels that this would have arrested the losses he suffered at that level. I can see that Newbridge instead recommended that he invested into a Money Market fund, which suffered further losses in value.

Looking at this aspect in detail, I can see that Mr S was unsure as to when he instructed Newbridge to take this action. Newbridge has accepted that it believed that it discussed this in a meeting with Mr S in November 2018. It said:

Though he did verbally tell us that then, my role as adviser led me to advise him only to sell down equity funds.

Given this, I'm satisfied that Mr S had expressed a wish to Newbridge to sell his assets into cash when their combined value fell below £400,000, and I note that Newbridge itself does not dispute this.

Having said this, I've also carefully considered the evidence relating to March 2020, when the value of his funds indeed fell below this threshold.

Firstly, as previously noted, although Mr S was paying for the highest level of ongoing service from Newbridge, it did not have the authority to act on his behalf – it required a written authorisation from him to make any changes to his investment portfolio. I can see from the evidence that Newbridge has adhered to this in all cases both pre and post the period in question.

In terms of the transaction in question, when Newbridge sold Mr S's equity based investments and subsequently bought the [X] Money fund, Mr S has stated that he did not realise that Newbridge was investing into a fund, rather than holding his investments in cash. I've looked at all the correspondence and actions that occurred at that time.

On 16 March 2020, the day that Mr S's portfolio fell below £400,000 in value, Newbridge wrote to him to recommend a change to his investments. It said:

Given the levels of volatility in the FTSE 100 and other financial markets over the past number of days, we are recommending that you temporarily switch your funds from all equity investments, and move them into the [X] Money fund (which already forms part of your portfolio). This is a Money Market fund and is classified as Very Low/No Risk. We believe that affecting this switch will go some way to de-risk your portfolios and help to mitigate any major losses to values (please note we cannot guarantee this)

I think this makes clear that Newbridge recommended Mr S transfer his equity based investments into the Money fund as opposed to cash. The email provides details of the rationale behind the fund switch, and importantly details of the recommended fund, its risk classification and that fact that mitigation of losses cannot be guaranteed.

As noted above, Mr S accepted this advice just 15 minutes after the email was sent. Given this, as I find that it was clear that Newbridge was not recommending a switch from equity based funds to a pure cash holding, I can't see that it has done anything wrong here.

I've also looked at the time it took for the equity based holdings to be sold once Newbridge had received Mr S's acceptance of the advice. It's clear that the sale initiated on 17 March 2020 and the [X] Money fund was purchased two days later. As Newbridge had made Mr S aware that the switch could take 3-5 working days and it was completed within this timeframe, I can't see that it has done anything wrong in this regard either.

In terms of the discussions that Mr S had about selling all his assets into cash, Newbridge have said that in its role as Mr S's financial adviser, it didn't think it necessary to sell all to cash. Selling all his assets to cash was a discussed in a meeting over a year before the covid pandemic, but never put in writing. Consequently, I find that if Newbridge had acted without Mr S's express written consent, it would have acted outside its authority as his adviser.

Instead, Mr S was advised to sell his equity funds and switch into a fund rated as low risk rather than cash. This is the recommendation that it gave to Mr S and that he accepted.

I can appreciate that with the benefit of hindsight, other recommendations and investment decisions may have produced better outcomes. Given the prevailing circumstances of the time, I find that the advice Newbridge gave was suitable for Mr S's situation, and consequently that it has not done anything wrong here.

My final decision

For the reasons explained above, I do not uphold Mr S's complaint.

My final decision is that Newbridge Financial Planning Limited does not need to take any action to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 June 2024.

Bill Catchpole
Ombudsman