

The complaint

Mr and Mrs B complain that Columbia Threadneedle Management Limited ('CT') has mismanaged its CT UK High Income Trust from September 2021 onwards, resulting in a significantly adverse performance for their two junior investment accounts ('JIAs').

What happened

Mr and Mrs B took out the investments on an execution only basis for the benefit of their two grandchildren in February 2009 and January 2010 respectively.

The JIAs were operated by F&C Management Limited which became part of BMO Asset Management Limited and they invested in the BMO UK High Income Trust. That fund had two classes of shares – ordinary shares that paid cash distributions as dividends and 'B' shares, which paid capital distributions and so provided tax benefits to some investors. Mr and Mrs B held B shares. Each of the B shares could be traded as a 'unit'.

Mr and Mrs B contacted BMO in November 2021 asking it to explain why unit prices of their B shares in the BMO UK High Income Trust had dropped by almost 10% over the previous two months or so despite markets having risen during the same period.

BMO rejected the complaint and Mr and Mrs B thereafter pursued it to this service. In that complaint, Mr B gave some comparable performance examples. He explained that though it was difficult to prove mismanagement, he and Mrs B were suspicious of the operation of the fund. The complaint was eventually decided by one of our ombudsmen, who issued a decision; she concluded it should not succeed and gave her reasons for reaching that view.

Thereafter, CT acquired the BMO fund and took over operation of the investment. It wrote to Mr and Mrs B about the change in May 2022. It also provided a further market update relating to the performance of the fund.

In July 2023, Mr B made another complaint about the performance of the fund by CT from the period it took over in 2021, until up to the date of the complaint.

On 20 September 2023, CT rejected the complaint. It recognised Mr B's concerns because the investment values had decreased. It noted that the Net Asset Value total return performance over the period had been -5.9% and adding this to the capital repayments gave an overall decrease from 100.88p to 84.30p per share from 2012 to 2023 (so -16.4%) whereby over the same period the total return for the FTSE All-Share Index (CT's benchmark index) was +7.2%.

CT explained how a significant portion of the underperformance against the benchmark occurred in the six months to 31 March 2022, which was a period that saw strong performances from several sectors of the FTSE Index that CT's fund had little or no exposure to. CT said that the various reasons for this underperformance had been set out in detail in its annual reports of March 2022 and March 2023. CT did not otherwise accept that it had mismanaged the fund, but instead maintained clear reasons for the underperformance, which could occur with these types of investments.

Mr B then brought the complaint to this service where it was reviewed by one of our investigators. CT explained that though Mr B had thought otherwise, it was not dismissing him as an inexperienced investor; contrastingly, it had factually answered his queries. There hadn't been any mismanagement of the fund that he and Mrs B chose to invest in of their own accord. The prices and valuations referred to by Mr B were purely down to performance which was a risk of investing into these types of vehicles. Mr and Mrs B could at any time close these accounts or transfer them to his grandchildren once they turned 18.

Our investigator did not believe the complaint should succeed. He said although Mr and Mrs B had noticed gains in share prices across the market, this didn't mean they'd see gains in their CT investments. The FTSE All-Share Index was used by CT to make comparisons to the fund and allow Mr and Mrs B to monitor its performance in an easier way.

After looking at the fund fact sheet for the investments and the interim report and accounts, the investigator concluded he was not able to say CT had acted unfairly or unreasonably given the circumstances, particularly where performance of the shares was influenced by external factors outside of CT's control – hence the risk of the investment value falling as well as increasing.

Mr B said he and Mrs B did not agree with the outcome reached by our investigator. They made a number of further comments, noting in summary:

- They had chased CT since 2021 but still not received a proper explanation for the decline in the fund.
- They cannot understand why this service is not prepared to investigate into the performance of a fund, if asked.
- The unit values for the investment were now back at (and in the case of one JIA slightly lower than) the values seen in 2009 and 2010, which simply cannot be fair.
- They remain unpersuaded that the fund management is suspicious and questionable.

CT didn't have anything else to add. The complaint has now been passed to me.

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.

Though I realise my decision will be disappointing for Mr and Mrs B and despite my sympathy for Mr B's frustrations about the performance of the JIAs, I am not going to uphold this complaint. Following my independent review of the evidence, I agree with the outcome our investigator reached and for principally the same reasons.

This service's role is to investigate disputes and resolve complaints informally, whilst taking into account relevant laws, regulations and best practice. In reaching my decision, I'll focus on the issues I believe to be central to the complaint to decide what I think is fair and reasonable in all of the circumstances. We are not a court; and though there are rules I may rely on in respect of complaint handling procedures, I am not required to comment on each point or make specific determinations on every submission put forward by the parties.

This complaint cannot address any matters already considered in the previous complaint about BMO – that is because the ombudsman made a final determination about BMO's actions in relation to the fund and the operation of the JIAs by that business.

I note that because in the context of this complaint, Mr and Mrs B have set out how "over

almost a 14 and 15 year period their investments appear to have declined by not hundreds but thousands of pounds.”. To be clear, this is a distinct complaint regarding CT and what Mr B says is unhappiness at the performance of the (now) CT UK High Income Trust fund and I can only look at matters as they relate to CT and not the predecessor businesses.

I should also make clear that complaints about investment/fund performance do not relate to a regulated activity and fall outside of my remit. We are limited by the rules governing this service, as defined by the Financial Conduct Authority. In order to proceed under the rules, complaints to this service need to be about acts or omissions by a respondent business in relation to the carrying out of specific regulated activities or any ancillary activities, including advice, such as the management of an investment consisting of assets such as securities. So, I am not able to investigate whether the performance of the fund is unreasonable or not.

Consequently, it's also important for me to point out that we do not act in the capacity of a regulator. That means our decisions don't ordinarily interfere in how a business may conduct its operations or exercise what may be commercial judgment on the provision of a particular service. That remit falls to the FCA.

I know that my explanations will be disappointing for Mr and Mrs B, as Mr B has explained how they would like this service to provide its view on the fund performance. But, for the reasons set out, I am not able to do that.

Whilst Mr B is entitled to form his own view on the reasonableness of CT's operation of the fund, I must also do the same. From an objective standpoint, I do not consider its administration to have been unfairly handled or that CT has failed to behave honestly, fairly or professionally in the circumstances. I have therefore gone on to look whether CT has treated Mr and Mrs B fairly and reasonably in its updates to them as execution only investors for the JIAs, in respect of information about the performance of the fund. And I believe it has.

Mr and Mrs B did not receive advice on taking out the JIAs and they determined their contributions from the outset – which comprised regular investments in addition to a primary lump sum contribution. It has previously been noted how they chose to reinvest the capital distributions to maximise the potential for capital growth. Until their first complaint to BMO they were accepting that the fund worked for them. However, in the context of this complaint from September 2021 onwards, the fall in the unit price triggered their unhappiness – and Mr B considers that despite information issued by CT to the contrary, the significant drop in the price can only be attributable to mismanagement of the fund.

In its final response letter, CT accepted that the fund had decreased over the period referred by Mr and Mrs B, versus an increase in the FTSE All-Share Index benchmark. However, that the latter had a positive return does not mean the fund was mismanaged. CT has issued ongoing market updates, fund fact sheets, and periodical reports giving a detailed explanation from its portfolio managers as to CT's actions across each reporting period.

Both CT's website, its Key Investor Information Documents and the fund fact sheets set out how *“the value of your investments and any income from them can go down as well as up and you may not get back the original amount invested”*. The annual reports also highlighted the investment risks of the fund, noting that *“stock market movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. If markets fall, gearing can magnify the negative impact on performance.”*

The information provided by CT was reasonable; it explained the disparity between Mr and

Mrs B's complaint points about the unit value drop and overall performance from the business's perspective. I've not seen any objective evidence that would lead me to conclude that CT has mismanaged the fund such that it was directly accountable for the drop in unit price or that it has otherwise unreasonably provided information about the fund. It follows that though the JIAs have not delivered the returns Mr and Mrs B expect, this of itself is not a sufficient reason for me to uphold the complaint about CT's mismanagement of the CT UK High Income Trust. And since I'm satisfied that CT has dealt with the complaint fairly, I won't be asking it to do anything further.

In reaching my decision, I've noted that Mr and Mrs B told us they have a third JIA for another grandchild with another company which is notably outperforming those held with CT. However, that is a distinct investment and unrelated to the outcome of this complaint. In order to be able to uphold Mr and Mrs B's complaint, I'd need to be satisfied that CT had acted unfairly or unreasonably in its operation of the fund and subsequent administration – and I haven't seen any objective evidence to persuade me of that. I have otherwise noted that Mr and Mrs B have been informed that the performance of the fund is not guaranteed. I also note that the decision to invest in this specific fund within the JIAs wasn't influenced by CT or any predecessor business; the investments were set up on an execution only basis.

My final decision

I do not uphold this complaint for the reasons summarised above.

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

Jo Storey
Ombudsman