DRN-4736425

The complaint

Mrs M complains that Alpha Partnership (IFA) Ltd should have advised her to convert her investments to cash earlier than it did.

She says, in summary, that Alpha:

- Disregarded her particular need – to repay her mortgage.
- Didn't warn her about the drop in value of her investments and didn't consider whether she could withstand a drop in value
- Didn't act when markets were falling. She says she should have been advised to switch to cash to preserve the value of her investment.

What happened

I set out the background to this complaint in my provisional decision dated 14 March 2024. A copy of that provisional decision is reproduced at the end of this final decision.

I thought the complaint should be upheld. I didn't think Alpha had provided Mrs M with suitable investment advice. In summary I said:

- I didn't think Alpha's investment advice in July 2019 was suitable. I thought, had Alpha correctly assessed Mrs M's investment objective – to preserve and grow the capital value of her investment so that she could pay off her mortgage in 2023 - and if it had correctly assessed her capacity for loss – she had minimal, or no, capacity – it wouldn't have recommended investing £120,000 in medium risk investments (in addition to the existing medium risk investments she held) because this wasn't suitable for Mrs M.

- Bearing in mind Mrs M's existing investments were already exposed to stock market risk, I didn't think it was suitable to take any further risk with any more of her money. I thought that investing £120,000 in no-risk investments would have given her the certainty she needed, of preserving the capital value, whilst still having her existing investments exposed to some risk with the objective of growing their capital value.

- In September 2021, the value of Mrs M's investments exceeded the amount she needed to repay her mortgage in around 20 months' time. So I didn't think it was suitable to advise her not to make any changes because being fully invested with a medium risk of shortfall when she needed to preserve her capital wasn't right. I thought it would have been suitable to move the investment, so it was no longer exposed to risk.

So to put things right, I thought Alpha needed to compare the performance of each of Mrs M's investments with an appropriate benchmark and pay her the difference in the return, plus interest from the end date of the investment. I also set out why I thought the unsuitable investment advice had caused Mrs M considerable distress, upset and worry and thought Alpha should pay her £1,000 compensation.

Responses to my provisional decision

Alpha said it had no further comments to make.

Mrs M provided some further explanations. She said, in summary, that:

– When she asked for investment advice for the £120,000 in 2019, she hadn't given any thought to receiving an income from that investment; her sole objective was to use the money to repay her mortgage.

– She recalled the stressful and frantic time she had at the end of the original mortgage term when she was eventually granted an extension. The lender made it clear it would not agree to any further extension and she knew from her experience that securing a mortgage from another lender, even if possible, would mean much higher monthly interest payments.

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 appreciate the additional information from Mrs M which provides further evidence of the importance of her being able to repay the capital on her interest only mortgage at the end of the term.

In the absence of any further comments from either party, I find no reason to depart from my earlier conclusions.

Putting things right

Fair compensation

In assessing what would be fair compensation, I consider that my aim should be to put Mrs M as close to the position she would probably now be in if she had not been given unsuitable advice.

I think Mrs M would have invested differently. It is not possible to say *precisely* what she would have done, but I am satisfied that what I have set out below is fair and reasonable given Mrs M's circumstances and objectives when she invested.

What should Alpha Partnership (IFA) Ltd do?

To compensate Mrs M fairly, Alpha Partnership (IFA) Ltd must:

- Compare the performance of each of Mrs M's investments with that of the benchmark shown below.

- A separate calculation should be carried out for each investment.

- Alpha Partnership (IFA) Ltd should also add any interest set out below to the compensation payable.

- Pay Mrs M £1,000 for the distress caused by the unsuitable investment advice.

Income tax may be payable on any interest awarded.

Investment name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
2019 investment	No longer exists	Average rate from fixed rate bonds	Date of investment	Date ceased to be held	8% simple per year on any loss from the end date to the date of settlement *
2009/10 investment	No longer exists	Average rate from fixed rate bonds	24 September 2021	Date ceased to be held	8% simple per year on any loss from the end date to the date of settlement *

For each investment:

Actual value

This means the actual amount paid or payable from the investment at the end date.

Fair value

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

To arrive at the *fair value* when using the fixed rate bonds as the benchmark, Alpha Partnership (IFA) Ltd should use the monthly average rate for one-year fixed-rate bonds as published by the Bank of England. The rate for each month is that shown as at the end of the previous month. Those rates should be applied to the investment on an annually compounded basis.

Any withdrawal, income or other distributions paid out of the investments should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I'll accept if Alpha Partnership (IFA) Ltd totals all those payments and deducts that figure at the end to determine the fair value instead of deducting periodically. If any distributions or income were automatically paid out into a portfolio and left uninvested, they must be deducted at the end to determine the fair value, and not periodically.

Why is this remedy suitable?

I have chosen this method of compensation because:

- Mrs M wanted to achieve a reasonable return without risking any of her capital.

- The average rate for the fixed rate bonds would be a fair measure given Mrs M's circumstances and objectives. It does not mean that Mrs M would have invested only in a fixed rate bond. It is the sort of investment return a consumer could have obtained with little risk to their capital.

- The additional interest is for being deprived of the use of any compensation money since the end date.

* If Alpha Partnership (IFA) Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs M how much it's taken off. It should also give Mrs M a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint. Alpha Partnership (IFA) Ltd should pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 15 May 2024.

Copy of my provisional decision dated 14 March 2024

The complaint

Mrs M complains that Alpha Partnership (IFA) Ltd should have advised her to convert her investments to cash earlier than it did.

She says, in summary, that Alpha:

- Disregarded her particular need – to repay her mortgage.
- Didn't warn her about the drop in value of her investments and didn't consider whether she could withstand a drop in value
- Didn't act when markets were falling. She says she should have been advised to switch to cash to preserve the value of her investment.

What happened

Mrs M sought investment advice from an independent financial advisor in 2009 and invested £123,000. She says she told the advisor she needed this investment to repay the capital of £230,000 on her interest only mortgage in 2018, but that she also had two investment properties.

She took an income from her investments of around £220 a month and in 2012 she made three capital withdrawals totalling just over £34,500.

In 2012, her advisor became employed by Alpha and Mrs M decided to sign its ongoing advice service agreement so that she could continue to receive advice from her existing advisor.

In 2018, she hadn't sold her investment properties as originally planned, but she was able to extend her mortgage by five years – so it now had to be repaid in April 2023.

By mid-2019, she had completed on the sale of her investment properties, and she sought advice from Alpha for the investment of the sale proceeds of £120,000. It was recorded that her objective was to use her existing investments and this £120,000 to repay the £230,000 mortgage in April 2023. It was agreed she was looking for capital growth but would also like an income to replace the rental income she'd received from the investment properties. She was assessed as having a "balanced" attitude to risk. Mrs M already had a stocks and shares ISA and an investment bond (from the 2009 recommendation). These were worth around £104,000. Alpha recommended adding £20,000 to her stocks and shares ISA and investing £100,000 in an OEIC portfolio. The OEIC portfolio comprised various medium risk funds and was set up to provide her with a monthly income of £500.

Mrs M said she didn't follow the stock market and relied on the advice she received from Alpha. But in 2022 she had cause to contact the OEIC manager direct and it told her how she could access and monitor the value of her portfolio and her ISA. She checked the value and was worried by how much it had fallen, knowing her mortgage had to be repaid within a year. On 16 June 2022 she gave Alpha instructions to switch her investments to cash. The advisor recommended investment in two cash funds. But shortly afterwards she realised she was still paying fees on these funds, and she gave instructions to liquidate these and the investment bond and for the money to be credited to her bank account.

She says Alpha should have advised her to switch to cash when her investments had risen in value and were enough to cover her mortgage repayment.

Alpha said it was satisfied that it had exercised reasonable skill and care and acted in Mrs M's interests, given the exceptional and highly volatile market conditions at times. It said it had acted to achieve Mrs M's objectives of having enough money to repay her mortgage in April 2023 and to provide her with a monthly income. It said it was difficult to time both the entry and the exit of the market, particularly in times of volatility. But that it was always an option for Mrs M to switch to cash, temporarily or permanently, and that this was an option communicated to her on more than one occasion. It said that in September and October 2021, the portfolio value had risen to be higher than the £230,000 value she needed. It sent Mrs M an annual report in September 2021 and didn't recommend making any changes. Mrs M seemed pleased to continue with the portfolio as it was – but she had the opportunity to consider moving the portfolio to cash to secure its value.

Our investigator recommended that the complaint should be upheld. He didn't think Alpha's advice in 2021 – to make no changes – was suitable. He thought Alpha should have advised Mrs M to encash her portfolio at the review meeting on 24 September 2021 and that it should pay her the value of the investments if they'd been sold on this date, less the value she received when they were actually encashed, plus interest at 8%. He didn't recommend any award for distress and inconvenience as he concluded this arose from her need to repay the mortgage, rather than the service provided by Alpha.

Alpha didn't agree with our investigator's conclusion. It responded in some detail to say, in summary, that:

- The nature of the complaint has changed over time but is essentially about investment performance. The situation is that Mrs M was happy with the advice received and the performance of her investments, until the investments fell in value, and she decided, without its advice, to encash.
- Mrs M was made aware of the possibility that there might be a shortfall in the value of her investments when she came to repay her mortgage, the more so because she was using her investments as a source of income.
- Whilst her priority was repayment of the mortgage, there was the twin aim of receiving an income from the 2019 investment of £500 a month, on top of her existing investment bond income of £250 a month.
- Mrs M benefited from this income and from the earlier capital withdrawals and this hasn't been included in the investigator's liability calculations, or the fact that only part of the investment was arranged by Alpha (with all advice prior to 2012 being before Mrs M

signed its agreement).

- Mrs M was kept fully informed of the performance of her investments and various changes were recommended to try to improve performance. There have been many times when the investment fell in value and wasn't on target to cover the mortgage but on each occasion performance improved.
- In September 2021, markets – and the value of Mrs M's investments – had recovered after falling heavily in 2020 and early 2021. There was an option to benefit from increasing values by encashing, but there was a positive outlook, and it was reasonably thought that recovery would continue.
- Had the investments not performed well, and hadn't reached the level they did in September 2021, Alpha would not be being penalised. The investigator's conclusion that Alpha should've recommended encashment in September 2021 is said with the benefit of hindsight.
- In September 2021 Alpha gave very tailored advice given Mrs M's objectives and personal circumstances. It said it didn't recommend any changes "*unless her requirements had changed*". Meaning if she still wanted to continue to receive her monthly income whilst planning to pay off her mortgage in 18 months' time, she should remain invested. She could have taken a different approach, but she responded to agree.

What I've provisionally 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.

Firstly, I'm aware that I've summarised this complaint in far less detail than the parties and in my own words. There is a considerable amount of information here but I'm not going to respond to every single point made. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

Alpha has brought to our attention on more than one occasion that it wasn't responsible for the advice given in 2009 and 2010. I agree. But Mrs M's complaint isn't about that advice. She's made it clear from the outset that her complaint is about the on-going advice she received from Alpha (which includes the ongoing advice on the investments she made in 2009 and 2010).

This service would not normally uphold a complaint on the basis that an investment hadn't performed as expected, provided that investment was suitable for the investor, given their investment objectives, attitude to risk and personal circumstances, and provided they were given enough information to understand the nature of the investment and the risks involved. Alpha says this is such a complaint because Mrs M didn't complain until the value of her investments declined due to market conditions.

I've considered this carefully. I'm satisfied that the perceived poor performance of Mrs M's investments is what gave her cause to question whether Alpha's advice had been suitable. But that the complaint itself is about that advice.

I don't think Alpha gave Mrs M suitable advice and I'll explain why.

I find Mrs M's absolute priority was to repay the capital on her interest only mortgage at the end of its term. She intended to use the proceeds from the sale of two investment properties to do this but needed the balance from her investments. She made Alpha aware of that, at the outset and on a frequent and on-going basis. For example, in April 2020 she said, "*I have been worrying about my investments since, as you know, I need £230k to pay off my mortgage in 4 years*"; and in June 2020, "*I don't follow the market, as you know, I leave it to you as I know that you appreciate that I need the money to pay off my mortgage*". And Alpha noted it in its records. For example, at the 2018 review it noted that, *"[Mrs M] is depending on her investments and/or sale of investment properties to cover mortgage*"; and that, "*Priority is to cover mortgage*". I'm satisfied Alpha was fully aware Mrs M needed the investment to repay her mortgage – initially due in 2018, but then, after the lender agreed to extend the mortgage term, in 2023.

But I don't think Alpha fully appreciated the importance of what Mrs M had told it. She needed to repay the capital on the mortgage on her home. If there was a shortfall, she would need to fund that from elsewhere and, if she couldn't do that, she ultimately risked losing her home. Mrs M was retired and, whilst she had some funds set aside for emergencies, she didn't have the ability to raise funds from elsewhere and her ability to remortgage was limited due to her advancing years. Whilst it's possible the lender may have come to some arrangement which would prevent her from losing her home, this was clearly a worry for her.

She wasn't able to repay the mortgage at the end of the term in 2018 because she hadn't sold her investment properties. She told Alpha she'd managed to extend the mortgage by five years to 2023, but that the lender had made it clear she wouldn't be granted any further extension.

1. The investment recommendation in 2019

Mrs M met with the Alpha advisor in July 2019. She'd sold her investment properties and wanted advice on investing the proceeds of £120,000.

Her existing investments comprised a stocks and shares ISA and an investment bond. At the September 2018 annual review, these had been valued at £104,500. I've not seen the value in July 2019 but, using this earlier value and taking into account the property sale proceeds, Mrs M was around £5,500 short of the amount she needed to repay her mortgage. And she had three years and eight months until she needed to make the repayment.

I can see Mrs M considered making a partial mortgage repayment, rather than investing the £120,000. But she would have suffered an early repayment penalty and she was happy to continue with the mortgage until the end of the term.

Investment objectives and the need for income

In July 2019, I don't think Alpha correctly assessed Mrs M's investment objectives. Alpha says Mrs M had a "twin aim" of taking an income from her investment. But I find Mrs M's priority was to preserve, and hopefully grow, the capital value of her investment and I think it's more likely than not that she wanted that at the expense of income.

Mrs M had always taken an income from her investments and the recommendation letter notes that:

"[your investment] properties were providing an income of circa £500 pcm. You would like any new investment that you set up to provide a similar level of income."

And the recommendation letter explains that:

"*Any shortfall [in the capital value of the investments] could be exacerbated by the income that you will be taking from your new investment*."

Whilst in July 2019 it was noted that Mrs M "*needs to replace income*" from the investment properties, in September 2018 it had been noted that she was "*living comfortably within income*" and that she was due to start receiving an additional £600 a month from renting a room. This persuades me that Mrs M didn't need to replace her property income, especially at the expense of preserving her capital. Based on the records at the time, and Mrs M's testimony now, I think Alpha gave too much weight to the need for income. In an email following receipt of the 2019 recommendation letter, Mrs M clarified that preserving and growing the capital value of her investment was more important to her than receiving an income. She said:

"I know that I did agree that I would like an income from the investments rather than any income to be added to my fund but I did not mean that I want the investment value to be reduced so as to provide £500 a month income."

I think Mrs M was persuaded to take the income she probably didn't need because she was reassured by the advisor who told her that the impact of the income withdrawals "*will be monitored, with action being taken as necessary*."

Alpha told us there was more likely to be a shortfall in the value of Mrs M's investments because of her need for income. But she'd told it that she didn't want the income if it was likely to be at the expense of preserving the capital value.

For these reasons, I don't find Alpha correctly assessed Mrs M's investment objective. Or, at the very least, where that objective or objectives were incompatible, it didn't act fairly and reasonably because it didn't ensure it understood Mrs M's primary concern. It seems inarguable that this was the mortgage repayment. Alpha ought to have ensured Mrs M understood the implications of taking an income on the chances of a capital shortfall. And I don't think Alpha's brief caveats in its recommendation letter were enough to do that.

It's worth noting that as late as May 2022, Alpha recommended a "bed and ISA" moving £20,000 from portfolio to ISA "*to take advantage of this year's CGT exemption*". But in that same tax year, Mrs M was going to have to realise all her investments to repay the mortgage anyway. And, after she'd encashed the investments, Alpha offered to help her extend her mortgage – which she'd made clear was very unlikely to be successful – or to source her alternative lending – which she'd already made clear she didn't want. This seems to me to further evidence that Alpha, over a period of time, didn't pay enough regard to Mrs M's circumstances and priority objective.

Attitude to risk and capacity for loss

It's not clear what discussions took place around risk, or how Mrs M's attitude to risk was decided, but it was agreed she had a balanced, or medium, attitude to risk. I can see why Mrs M would have been comfortable agreeing with the description:

"I am looking for a balance of risk and reward across my portfolio to achieve above average returns over the medium to long term."

Particularly because this appears to have been the approach to risk taken since 2009.

But I don’t find Mrs M’s capacity for loss was fully considered – she couldn’t afford to lose any of her investment because that could have led to the loss of her home. And she had a specific date, in the relatively short term (and certainly within the five-year time horizon often given as a minimum to be able to weather the normal ups and downs of stock market linked investments), by which she would need to make up any losses.

And Mrs M’s concerns and behaviour after the 2019 investment reflect her nervousness about her situation and her minimal capacity for loss. For example, in April 2020 she said:

“I have been worrying about my investments since, as you know, I need £230K to pay off my mortgage in 4 years and although I appreciate that the markets will eventually have to recover, I don’t know how long it will take….”

So I don’t find Alpha correctly assessed Mrs M’s capacity for loss.

What Alpha recommended and what I think it should have recommended

Following the July 2019 review meeting, Alpha recommended Mrs M invest £20,000 in her stocks and shares ISA and £100,000 in an OEIC portfolio. The advisor recommended investment in a spread of funds giving exposure to equities, bonds and commercial property and covering the world’s major geographical markets. The advisor explained that three of the funds were regarded as low to medium risk, four as medium risk, four as medium to high risk, and one as high risk. He felt that, overall, this was suitable for a balanced investor. The ISA was set up for growth, with income being reinvested, and the OEIC portfolio was set up to provide monthly payments of £500.

Bearing in mind what I’ve set out above about Mrs M’s absolute lack of capacity for any real capital loss and, bearing in mind she only needed modest growth to reach the amount needed to repay her mortgage, I don’t think these recommendations were suitable in her particular circumstances. They exposed her to risks that she wasn’t willing or able to accept.

Had Alpha correctly assessed Mrs M’s investment objective – to preserve and grow the capital value of her investment so that she could pay off her mortgage in 2023 - and if it had correctly assessed her capacity for loss – she had minimal, or no, capacity - I don’t think it would have recommended investing £120,000 in medium risk investments (in addition to the existing medium risk investments she held) because this wasn’t suitable for Mrs M.

Whilst I can’t say with certainty what Alpha would have recommended, Mrs M’s existing investments were already exposed to stock market risk, and I don’t think it would have been suitable to take any further risk with any more of her money. So I think it would have been suitable for her not to take any risk with the additional £120,000. There were around three years and eight months left until Mrs M needed to repay her mortgage. Investing £120,000 in no-risk investments would have given her the certainty she needed, of preserving the capital value, whilst still having her existing investments exposed to some risk with the objective of growing their capital value.

2. The 2021 annual review

It’s not clear exactly what was discussed at the annual review, or if a discussion took place at all. Alpha sent Mrs M a valuation on 24 September 2021 and said:

“As you will note, you have had another very good year. This being the case, unless your requirements have changed, I would not suggest making any changes to your portfolio at this time.”

Mrs M's investment portfolio and ISA were valued at £187,486.63. I don't know the exact value of her investment bond, but a month later it was valued at £61,106.25. So Mrs M's investments exceeded the amount she would need to repay her mortgage in around 20 months' time.

At this point, the investments she'd made in July 2019 didn't, as I've explained above, fairly and reasonably account for Mrs M's requirements and so remained unsuitable. But, also, I don't think it was suitable to advise her not to make any changes because being fully invested with a medium risk of shortfall when she needed to preserve her capital wasn't right. Mrs M's requirements hadn't changed – she still needed to repay her mortgage at the end of the term. I don't think it was suitable to recommend Mrs M take any risk with her money. She didn't have a need for the £500 monthly payments and her sole focus was capital preservation for the next two years.

Our investigator thought Alpha should have advised Mrs M to encash her investments at this point. Whilst this would have preserved the capital value, I'm not persuaded this would have been appropriate given there was still more than a year until Mrs M needed the money. But I do think it would have been suitable to move the investment, so it was no longer exposed to risk. Much like a pension, when there is a set date with a set requirement for the money, it's often suitable to take an element of risk in the early years and gradually increase caution as the date of retirement, or in this case the date of mortgage repayment, comes closer.

3. Risk warnings and advice to encash

Alpha said it made Mrs M aware that it couldn't guarantee her investments would realise enough to repay the mortgage and that there might be a shortfall. And I'm satisfied Mrs M understood the risks. But Alpha was the expert here and, more so, it was tasked with giving her suitable advice. Whilst it couldn't guarantee it, I don't think the advice it did give – either to make the investments in 2019 or keep the investments as they were in 2021 – were suitable ways to give her the best chance of achieving her objectives.

I think the advisor persuaded her, when she invested a further £120,000 in 2019, and on an on-going basis, that all would be well. She reasonably understood Alpha would monitor the situation and that she would be alerted if there was any suggestion that there might be a shortfall. When Mrs M expressed concerns, she was reassured, told to "*sit tigh*t" and not to worry. But as the time horizon shortened, Alpha should have recommended changes to ensure more likelihood of the investments realising enough money to repay the mortgage.

Alpha says Mrs M could've encashed at any time and that she was made aware of the option to switch to cash on many occasions. Alpha did mention moving to cash, but this was largely in general communications that the advisor sent to all his clients during times of market volatility. And it was clear this was a strategy Alpha didn't recommend.

4. Encashment of the investments

Mrs M gave instructions to encash her investments in June 2022. Rather than encashment, Alpha recommended retaining the bond, and moving the other investments to cash funds. But shortly afterwards Mrs M realised fees were still being deducted which was eroding the capital further and she gave instructions to encash and pay the money to her bank account. She's not happy about the move to cash funds. But I don't think this advice in particular was unsuitable. That said, had Alpha moved Mrs M's investments into no risk investments earlier, as outlined above, it's unlikely she would have given instructions to encash her investments until close to the time that her mortgage needed to be repaid. The redress I'm recommending will take into account the period her investment was in cash funds, so I don't need to comment on this further.

5. Distress and inconvenience

I consider the failure of Alpha to provide Mrs M with suitable investment advice caused her severe stress. She thought she wouldn't be able to repay her mortgage and she thought this might mean she could lose her home. In view of her advancing years, and her previous conversation with her lender, she knew she wouldn't be able to extend the mortgage again. And she understandably didn't want to try to agree lending elsewhere – she wanted the mortgage repaid and Alpha had given her the reassurance that she'd be able to do that. I'm satisfied that, but for Alpha's unsuitable advice, Mrs M wouldn't have encountered the same worry about repaying her mortgage, and so it's fair and reasonable to hold Alpha largely responsible for it when considering fair compensation.

Whilst I accept it was Mrs M's decision to encash her investments when she did, she reasonably gave this instruction to try to mitigate any further losses. She'd lost faith in Alpha by this stage and there was no guarantee her investments would recover in value in the short time available. She had to source the resulting shortfall of £36,556.70. Mrs M told us she found the money to make up this shortfall. Although she's not provided us with any detail, she told us this has left her with nothing. So she's worried how she will pay for any unforeseen emergencies.

I consider Alpha's failure to provide suitable advice has caused Mrs M considerable distress, upset and worry. I think it's fair and reasonable that it pays her £1,000 compensation.

Putting things right

Fair compensation

In assessing what would be fair compensation, I consider that my aim should be to put Mrs M as close to the position she would probably now be in if she had not been given unsuitable advice.

I think Mrs M would have invested differently. It is not possible to say *precisely* what she would have done, but I am satisfied that what I have set out below is fair and reasonable given Mrs M's circumstances and objectives when she invested.

What should Alpha do?

To compensate Mrs M fairly, Alpha must:

- Compare the performance of each of Mrs M's investments with that of the benchmark shown below.

- A separate calculation should be carried out for each investment.

- Alpha should also add any interest set out below to the compensation payable.

- Pay Mrs M £1,000 for the distress caused by the unsuitable investment advice.

Income tax may be payable on any interest awarded.

Investment name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
2019 investment	No longer exists	Average rate from fixed	Date of investment	Date ceased to be held	8% simple per year on any

		rate bonds			loss from the end date to the date of settlement
2009/10 investment	No longer exists	Average rate from fixed rate bonds	24 September 2021	Date ceased to be held	8% simple per year on any loss from the end date to the date of settlement

For each investment:

Actual value

This means the actual amount paid or payable from the investment at the end date.

Fair value

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

To arrive at the *fair value* when using the fixed rate bonds as the benchmark, Alpha should use the monthly average rate for one-year fixed-rate bonds as published by the Bank of England. The rate for each month is that shown as at the end of the previous month. Those rates should be applied to the investment on an annually compounded basis.

Any withdrawal, income or other distributions paid out of the investments should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I'll accept if Alpha totals all those payments and deducts that figure at the end to determine the fair value instead of deducting periodically. If any distributions or income were automatically paid out into a portfolio and left uninvested, they must be deducted at the end to determine the fair value, and not periodically.

Why is this remedy suitable?

I have chosen this method of compensation because:

- Mrs M wanted to achieve a reasonable return without risking any of her capital.

- The average rate for the fixed rate bonds would be a fair measure given Mrs M's circumstances and objectives. It does not mean that Mrs M would have invested only in a fixed rate bond. It is the sort of investment return a consumer could have obtained with little risk to their capital.

- The additional interest is for being deprived of the use of any compensation money since the end date.

My provisional decision

I uphold the complaint. My provisional decision is that Alpha Partnership (IFA) Ltd should pay the amount calculated as set out above.

Elizabeth Dawes
Ombudsman