

The complaint

Mr S complains that Hargreaves Asset Management Limited (HAML) failed to warn him about the consequences of the change in strategy for the Woodford Equity Income Fund (WEIF) whereby more of the fund was invested in unquoted stock and continued to be positive about the fund even when performance was waning which led him to remain invested when he would otherwise have moved out of the fund.

What happened

Mr S opened a stocks and shares Individual Savings Account (ISA) in 2012 and a Self-Invested Personal Pension (SIPP) account in 2013. Junior ISAs were also opened for his three sons and Mr S complains in respect of two of those accounts, one opened in 2013 and the other in 2015. The service provided by HLAM in respect of all the accounts in question was execution only with Mr S deciding what he should invest in on his own behalf and on behalf of his sons.

Mr S bought units in the WEIF in his ISA in June 2014 and thereafter bought further units in October 2014 and January 2016. Mr S also bought units in the WEIF in his SIPP in March 2015 and made various subsequent purchases in 2015 and 2016, the last such purchase being in December 2016.

Mr S also made numerous purchases of units in the WEIF in his children's JISA's, between June 2014 and January 2017 for one child - at which point the account was changed to an ordinary ISA - and between May 2015 and May 2019 for the other child. Mr S and his two sons were still invested in the WEIF when the fund was suspended by Link, the Authorised Corporate Director, in June 2019.

As Mr S complaint is only about the investments made into the WEIF, it is appropriate to set out the background to the fund and HLAM's relationship with it.

The WEIF

This was managed by Neil Woodford who set up Woodford Investment Management (WIM) in 2013 following him leaving Invesco Perpetual. The WEIF was launched in May 2014 with a £1 per unit fixed price until 18 June 2014. The Authorised Corporate Director – the firm responsible for the running of the fund and for ensuring it is well managed – was Capita Financial Managers, later known as Link Fund Solutions.

The WEIF broadly tracked the benchmarks until the second half of 2017 when there was a significant fall which wasn't reflective of what happened with the benchmarks. Thereafter the WEIF began to significantly underperform the benchmarks from early 2018, with a very different performance pattern to the benchmarks as from early 2019 until the fund was suspended in June 2019.

At the same time as the WEIF stopped tracking the benchmarks in 2017 it started to see significant outflows, with assets under management falling from £10bn to just £3bn over the next couple of years.

It was due to the extent of the outflows and the proportion of the WEIF assets that weren't liquid that Link decided to suspend trading in the fund in June 2019 and removed WIM as the investment manager, before then seeking to liquidate the fund later in 2019. Link subsequently agreed to provide a significant redress payment to investors and the scheme of arrangement it proposed was approved by the court in February 2024.

HLAM's communications relating to the WEIF

HLAM's met with WIM in early 2014 following which it decided to promote the WEIF to its customers and to visitor's to its website prior to launch of the fund. The WEIF was the subject of, or was referred to, in various communications from HLAM between the fund's launch in 2014 and its suspension in June 2019. Those communications consisted broadly of; promotion of the WEIF at launch by letter, website, and emails; ongoing promotion of the WEIF through website articles and on occasion an email pointing the recipient to the article; updates on the WEIF through website articles with again email alerts about the articles; the inclusion of the WEIF in HLAM's "best buy" lists.

The "best buy" list

HLAM published a list of what it considered to be the best or its favourite funds, initially called the Wealth 150 – with a subset with discounted charges for its clients called the Wealth 150+ - which later became the Wealth 50 and which I will refer to collectively as the Wealth List. The WEIF featured on the Wealth List from launch until suspension.

I am aware that the Wealth List was available on HLAM's website to anyone who visited the site and was also sent to all of its clients on its general mailing list who had elected to receive communications. It also formed part of HLAM's bi-annual Wealth Reports. HLAM says the list was updated from time to time with funds added or removed based on an ongoing cycle of review, monitoring and analysis of funds by its investment team which in respect of the WEIF included meetings with WIM to discuss the WEIF a number of times.

Mr S's complaint to HLAM

Mr S complained to HLAM about its promotion of the WEIF through its inclusion in HLAM's Wealth List and the emails that it sent to him about the fund and also about its awareness of the issues about the funds liquidity.

In its final response to the complaint HLAM, in short, made the following points:

- Its Wealth List is a tool for clients to use when making decisions to invest from the full range of funds available on its platform and before the WEIF was included in the list it carried out extensive research across a large number of funds focussed in part on fund managers such as Neil Woodford who had added value in the long-term.
- The WEIF experienced a difficult period of performance through 2018 and 2019 but its conviction in its long-term prospects remained and it believed it had the potential to outperform its benchmark in the long term.
- It critically assesses all funds on the Wealth List on an ongoing basis and as part of this there are times when it raise issues it wants fund managers to address.
- It raised such an issue with Neil Woodford in November 2017 as to him monitoring and addressing the number and amount of unquoted shares in the fund and he confirmed this would be actioned and provided regular updates about this.

- At all stages it understood that the fund didn't exceed the 10% limit for such shares that regulated UCITS funds are subject to.
- It provided an execution only service and as such executed orders Mr S asked it to carry out. It doesn't provide personalised advice to him or manage his investments for him.
- It communicated various issues to clients to keep them updated, such as the poor short-term performance and the increase in the proportion of the fund invested in smaller and unquoted companies.

Mr S didn't agree with HLAM and referred his complaint to our service. It was considered by one of our investigators who didn't think it should be upheld. He made the following key points:

- It's clear the WEIF changed significantly in the years following its launch and that at times HLAM had significant concerns about it but taking into account its regulatory obligations it was free to reach a view that the fund should feature in its Wealth List.
- HLAM took the view that a breach of the 10% limit on unquoted stocks as required by the relevant rules was a red line which would result in it removing the fund from the Wealth List but there is no evidence it was ever aware that this limit had been breached.
- Overall when communicating its reasonably held view (in relation to the WEIF) HLAM acted in a way consistent with its regulatory obligations.
- HLAM's communications changed as the fund did and it did enough to make Mr S aware of the increasing exposure to smaller companies and the consequent increase in risk.
- There was also a consequent shift in the tone of its communications as the poor performance continued.
- HLAM didn't share all its concerns with customers or provide the full detail of its concerns as shared with WIM but overall it shared enough and it isn't reasonable to say it had to share the full details of all its exchanges with WIM or every concern it had raised.
- HLAM wasn't providing its customers with personal recommendations to invest, only expressing its opinion as to whether it thought the fund provided a good investment opportunity for those customers who thought the fund potential, risks, and characteristics were right for them.
- HLAM didn't hold out the WEIF as being suitable for any particular client, only that it was worthy of consideration for those making their own investment decisions and its communications need to be considered in that context.
- The inclusion of the WEIF in the Wealth List needs to be viewed in light of the communications it was providing at the same time which highlighted various features of the fund which it thought investors should pay particular attention to.
- In hindsight HLAM's view of the WEIF was wrong but it didn't know the fund was going to be suspended and didn't provide any guarantees as to performance

- Mr S likely didn't read all the information provided by HLAM and may have only had a partial view of it but the information was made available to him and it is the entirety of information provided that has to be considered, not the more limited aspects he actually engaged with.
- HLAM provided enough information to Mr S and it was matter for him whether he read it and it was for him to decide whether he wanted to invest in the WEIF or remain invested in it.

Mr S didn't agree with the investigator. In the main his response repeated the points that he had raised when he referred his complaint to our service but I summarise what he said below.

- HLAM included the WEIF in its Wealth List even as many reporters were starting to question Neil Woodford's liquidity.
- The WEIF should only have invested a maximum of 10% of assets into illiquid funds but HLAM was aware of the illiquid status of the fund well before it was suspended and still continued to include it in its Wealth List.
- HLAM was also aware of investments made by Neil Woodford through offshore trading exchanges (Guernsey etc) and investment in unquoted shares and even the WEIF's sister fund which had similar illiquidity.
- HLAM confronted Neil Woodford in late 2017 on the issues with the fund but continued to promote it through the Wealth List. This dialogue was ongoing over the following 18 months but HLAM never informed him or other investors of this dialogue.
- He continued to invest in the WEIF purely on the strong recommendation from HLAM with its inclusion in the Wealth List and the numerous emails he received promoting both the list and the fund.
- He doesn't accept that HLAM made him aware of concerns about the fund's investments in smaller and unquoted companies or any concerns it had about the fund. To the contrary they continued to support the fund right up until suspension.

As Mr S didn't agree with the investigator the matter has been referred to me for review and 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.

In doing so, I've taken into account relevant law and regulations; relevant regulators' rules guidance and standards; codes of practice; and, where appropriate, what I consider was good industry practice at the relevant time. But I think it's important to note that while I take all those factors into account, in line with our rules, I'm primarily deciding what I consider to be fair and reasonable in all the circumstances of the case.

It is for me to decide what weight to give evidence a party relies on and where there is a dispute about the facts my findings are made on a balance of probabilities – what I think is more likely than not.

The purpose of my decision isn't to address every point raised and if I don't refer to

something it isn't because I've ignored it but because I'm satisfied I don't need to do so to reach what I think is the right outcome. Our rules allow me to do this, and it simply reflects the informal nature of this service as a free alternative to the courts.

In the complaint form that Mr S completed on referring his complaint to our service he referred to HLAM advising him. I have considered the evidence available in this case and I am satisfied that HLAM provided an execution only service to Mr S throughout and never provided regulated advice. Its regulatory responsibilities don't therefore include those that relate to advice. The investigator set out the relevant regulatory obligations that HLAM did have in his opinion, so the parties are already aware of these. However, I think it is appropriate for me to set these out again in this provisional decision before I explain my findings.

The regulatory obligations

The following regulatory rules are particularly relevant to the issues in this complaint and my assessment of whether HLAM dealt with Mr S fairly.

The FCA sets out the rules that firms need to comply with within its Handbook and they include the Principles for Businesses.

PRIN 1.1.2G in the FCA's Handbook explains:

"The Principles are a general statement of the fundamental obligations of firms and the other persons to whom they apply under the regulatory system."

The Principles are set out under PRIN 2.1.1R and I think the following are of particular relevance to the issues in this complaint:

Principle 6 - Customers' interests: A firm must pay due regard to the interest of its customers and treat them fairly.

Principle 7 – Communications with clients – A firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair, and not misleading.

In addition to the principles the Handbook sets out specific rules in its Conduct of Business Sourcebook (COBS) within the Handbook. Those rules include COBS 4.2.1R(1) which states:

"A firm must ensure that a communication or a financial promotion is fair, clear and not misleading."

And COBS 2.1.1R(1) which states:

"A firm must act honestly, fairly and professionally in accordance with the best interests of its client (the client best interests rule)."

It is with the above rules in mind that I have considered whether HLAM did anything wrong.

I note Mr S has suggested that HLAM identified the WEIF as being low to medium risk. I have considered the information provided by HLAM prior to Mr S investing in August 2017. I have not seen any document in which HLAM risk rated the fund as low to medium and I am satisfied that the overall information available to Mr S couldn't reasonably have led him to conclude that the fund had such a rating. Even if he did conclude for some reason that the

fund was low to medium risk at the time he invested, it is reasonable to have expected him to have realised long before the fund was suspended that this wasn't the case.

I accept that Mr S may well have decided to sell his holding in the WEIF sooner than he did but for HLAM continuing to include the fund on its Wealth List and its communication of its ongoing faith in Neil Woodford as a fund manager and its belief that the fund would deliver long term returns from throughout the period he was invested up to the suspension of the fund. However, HLAM isn't responsible for the poor performance of the fund and its underlying companies and it had no say in the choices that Neil Woodford made as to the specific companies the fund should invest in.

In providing an execution only service to Mr S HLAM's responsibility was to ensure that the information it provided about the WEIF was clear, fair, and not misleading. Having considered the evidence in this case I am satisfied that it did provide such information. Put simply I am satisfied that it made clients aware of the issues it was raising and discussing with Neil Woodford and WIM and expressed opinions that were genuinely held by it in respect of him as a fund manager and the long term prospects of the WEIF.

I have considered the information provided by HLAM about the WEIF, from when it launched through to suspension. It promoted the fund to clients and visitors to its website in various communications, such as its Wealth List - which consistently named the fund as one of its best buys - and articles on its website. However, whilst it may have continued to name the WEIF on the Wealth List the information it communicated about the fund over the course of Mr S's investment in it changed over time. So, from launch through to the first half of 2016 its communications didn't identify any significant issues with the fund and I have seen nothing that makes me think that HLAM had any concerns about the fund in this period or was raising any significant issues with WIM about the fund that it would be reasonable to expect it to make clients aware of. I am therefore satisfied that its favourable commentary about, and promotion of, the fund over this period was in accordance with its regulatory obligations.

In the second half of 2016 HLAM made clients aware of changes to the WEIF. So, in its autumn 2016 Client Investment Report it referred to the reduction to 47% in the proportion of the fund invested in FTSE 100 stocks from the 58% as at launch of the fund and the increase in exposure to FTSE 250, Aim-listed and unquoted companies.

And in its November 2016 Wealth List it said:

"When the fund launched in June 2014, almost 60% of the portfolio was invested in FTSE 100 stocks. Over time, this exposure has reduced to stand at close to 45%. Meanwhile, the fund's exposure to FTSE 250 stocks, AIM-listed companies and unquoted opportunities has slowly increased. In other words, more has gradually been invested in medium-sized and smaller companies as attractive opportunities have emerged.

The fund has evolved in the relatively short period since its launch, but continues to reflect the cautious view Neil Woodford has of the global economic outlook. He has not invested in areas that look most vulnerable to economic headwinds and has focused the fund towards companies he thinks can deliver sustainable growth in spite of them. We continue to hold the manager in the highest regard."

This was followed by a 'special report' on the WEIF dated 13 December 2016, following a meeting with Neil Woodford where HLAM stated that *"the funds sizeable exposure to small and medium sized companies caused the fund's yield to fall short in its first financial year and given that Neil Woodford does not intend on changing his approach we expect the fund will ultimately fall out of the sector."*

The article goes on to state that Neil Woodford had increased the fund's exposure to higher-risk small and unquoted companies and that only around 50% of the fund is invested in large high-yielding companies with the remainder invested in medium and small-sized companies or those not listed on the stock market. This was followed shortly afterwards with a research update dated 22 December 2016 which referred to a bias to small and medium sized companies remaining and to underperformance of the fund over the last year. And under the heading 'Our View':

Neil Woodford is a high conviction, long term investor. All managers undergo periods where their style is out of favour and they will underperform their peers or benchmark. We have faith in the manager to spot opportunities other investors have missed and trust him to add value for investors over the long term."

So, by the end of 2016 HLAM had, through its communications on the website, identified to its clients that; the WEIF wasn't a typical equity income fund; it expected the fund to fall out of the sector; the fund had underperformed over the past year; Neil Woodford's approach as fund manager included him identifying higher risk small and medium sized companies including unlisted companies; there had been an increase in the proportion of the fund invested in medium and small sized companies; there was an additional risk from the investment in small and unquoted companies.

From considering the notes of meetings that HLAM had with WIM in this period the above issues reflected the concerns that it was raising at the time and its expression of faith in Neil Woodford as fund manager and the long-term prospects of the fund mirrored its internal view at the time. In the circumstances I am satisfied that in identifying the above issues to clients whilst at the same time continuing to confirm its ongoing belief in the fund HLAM provided clear, fair, and not misleading information and complied with its regulatory obligations.

HLAM continued to promote the fund in 2017, through it being included in its Wealth List and in various articles on its website. However, HLAM continued to keep clients and visitors to the website informed of changes to the fund. For example, in an article on the most popular ISA and SIPP funds dated 30 March 2017 HLAM said that the WEIF *"aims to provide a combination of income and capital growth. To boost growth, part of the portfolio is invested in early-stage companies which pay little (or nothing) in the way of dividends. This means the income is likely to be lower than his new fund, but the capital growth potential is greater – though the addition of these fledging companies also brings extra risk."*

And as another example, in a research article dated 12 May 2017 headlined 'Woodford's change of heart' HLAM refers to him adding Lloyds Banking Group and other 'economically sensitive' companies to the portfolio whilst also stating that it agreed with his positive outlook for the UK economy. And in a further research update dated 22 June 2017 it referred to the WEIF as 'not a typical equity income fund' and again pointed out to clients that Neil Woodford had *"invested a significant portion of the portfolio in higher risk smaller companies – some of which are not yet quoted on the stock market."* It also made clear its ongoing support for Neil Woodford and the fund, pointing out that he *"had an exceptional long-term track record and a history of making big stock or sector bets which have added significant value for investors over the long term."*

And HLAM continued to keep clients informed of key information, commenting on the recent poor performance and continuing to make clients and investors aware of the funds investment in higher risk smaller companies with some of these being unquoted and that such companies are more prone to failure than larger well-established companies. It also continued to express its faith in Neil Woodford as a fund manager and the ability of the WEIF to provide value to clients in the long term.

So, for example, in a research article dated 7 September 2017 HLAM referred to Neil Woodford hitting the headlines for the wrong reasons and that *“a spell of poor performance has led some to question his abilities.”* The article states that the *‘current stock market environment hasn’t favoured the types of company he looks for but that he is convinced the portfolio is positioned correctly for the long term.’* It goes on to state that in its view *“judging a fund manager over a time period of a few months is folly, especially one with such a long and distinguished record.”* It points to Neil Woodford having suffered a period of poor performance previously which was questioned but that he was proven ‘spectacularly correct’ and confirmed that it retains its faith in him to add value for investors over the long term. HLAM also stated that it’s quite right to question any fund manager on their performance but that having spoken with Neil Woodford at length it was encouraged he was sticking to his long held approach – *“of seeking undervalued and out of favour companies that had seen investors well rewarded over the long term.”*

In a further research update dated 19 December 2017 HLAM, in setting out its view, repeated previous statements it had made about the WEIF not being a typical equity income fund and that it *“combines higher-yielding larger companies with higher-risk smaller companies, some of which are unquoted, meaning they aren’t listed on a stock exchange.”* The update identifies that 9.5% of the fund is invested in unquoted companies with a maximum of 10% allowed but that Neil Woodford expects the proportion of the fund invested in unquoted companies to fall during the next 12 to 18 months as some of the biggest investments seek to list on the stock exchange. The update reminds investors that *“while they can offer significant growth opportunities, small and unquoted businesses are typically considered higher-risk because their shares are difficult to sell. Smaller businesses are also more prone to failure than larger, more established companies.”* HLAM went on to state that it believes that it is premature to write Neil Woodford off and that his long term track record has been exceptional and that it believed he would continue to add value for investors over the long term.

The issues that HLAM brought to the attention of clients, in particular the level of investment in unquoted companies and the risks associated with this, were the issues it was raising with WIM in the meetings it had over this period. And it is clear from the evidence that whilst HLAM was raising these concerns about the WEIF with WIM it also was satisfied that these concerns were going to be addressed in due course and retained its belief that the fund would be successful over the long-term such that there wasn’t reason to remove it from the Wealth List.

I am satisfied in the circumstances that the communications made by HLAM in this period are broadly consistent with what the evidence shows was its view of the WEIF and Neil Woodford as fund manager. They made clients aware of key information about the fund – such as its investment in early-stage and smaller companies and the higher risk resulting from this and the fact some of these were unquoted – whilst at the same time explaining why it continued to believe in Neil Woodford and the long term prospects of the fund. What it said is consistent with what the evidence shows was its genuine view and one that it was entitled to hold and express. In the circumstances I am satisfied HLAM provided information that was clear, fair, and not misleading over this period.

HLAM continued to provide clients with relevant information about the fund through 2018 and into 2019 through articles on its website, directing clients to these through emails. So, for example, on 22 March 2018 HLAM emailed clients about a website article on the WEIF through which it notified clients that the fund was moving to the IA UK ALL companies sector because it was no longer eligible to be included in the equity income sector because of its low yield. The article refers to almost 40% of the fund being invested in small and mid-sized lower yielding companies with almost an additional 10% invested in unquoted companies. So, HLAM continued to make clear the fund’s bias towards small, medium, and unlisted

companies.

At the same time it maintained its support for Neil Woodford as manager and the long-term prospects of the fund, based *“on the strength of his track record and believe he has the ability to deliver excellent long-term returns”* and that *“We think his approach – to invest in undervalued companies for the long-term – is temporarily out of favour and his long-term record should not be ignored.* It pointed to him having delivered a return of almost 27 times an original investment over his career but warns that there are no guarantees this will be repeated. The article refers to the WEIF remaining on the Wealth List *“but as ever investors should ensure they are comfortable with the investment approach and risk”* - reminding execution only clients such as Mr S , that it was for him to decide whether he wanted to remain in the WEIF based on the information available to him.

In another research update clients were emailed about on 7 January 2019, HLAM refers to the poor performance of the fund and acknowledges it has been an uncomfortable time to hold the fund and that its own conviction has been tested. It goes on to state that *“With this in mind you might be wondering why we have not removed the fund from the Wealth 50. It comes down to our belief that there’s a greater probability he’ll deliver attractive returns in the years to come than there is he’ll continue to perform poorly.”* It goes on to explain that Neil Woodford often invest ‘against the herd’ and that as a ‘contrarian’ investor his views will be out of kilter with the market and it expects extended periods of underperformance as well as out performance and that currently we are seeing one of the periods of underperformance. It points to Neil Woodford investing in sectors that rely on the UK economy at a time the UK market is unloved by investors and fund managers alike and that so far these investments hadn’t paid off. It also points out that *“the fund’s future performance is likely to be heavily tied to the strength of the UK economy and how Brexit plays out.”*

The update concludes by saying:

“It’s understandable that some investors are getting impatient with Woodford. We’ve been disappointed with recent performance ourselves. No manager outperforms every year through, so as investors we will have our convictions challenged. We back proven managers for the long-term and for longer than most. There’s lots of great managers to choose from but as part of a diversified portfolio, we still think Woodford has a place.

We could be wrong. If we are we’ll put our hands up. It might be tempting to change our opinion now to be rid of the current discomfort, but we don’t think it would be the right thing to do. We still think long-term investors will be rewarded.”

So, HLAM through 2017, 2018 and into 2019 provided clear, fair, and not misleading information about the WEIF to clients, drawing their attention to the fact that the fund had been underperforming, was significantly invested in small and medium sized companies - including unlisted companies with the increased risk this presented. Having provided this information it also explained clearly why it still had faith in Neil Woodford and the long term prospects of the fund, which led to it keeping the fund on its Wealth List throughout. As it said in its January 2019 update ‘it could be wrong’.

Its ongoing belief in Neil Woodford and the fund continued with it providing a further update to clients on 3 May 2019 HLAM informing them that Neil Woodford had committed to reducing the WEIF’s direct investment in unquoted and less liquid companies and that in due course he intended to sell out the fund’s unlisted direct investments entirely. In the article HLAM being in the *‘midst of his worst spell of performance in a career spanning decades’* but goes on to state that he has built his career on investing against the herd and this is why it has backed him, because *“he’s shown an ability to make the big calls right, and when he does, investors profit.”*

As I indicated at the outset, I accept that Mr S more likely than not remained invested in the fund until it was suspended because HLAM continued to express its belief in Neil Woodford and the long term prospects of the fund. However, it was entitled to express its honest held belief that the WEIF would be successful in the long term despite the issues that it identified with the fund from the second half of 2016 onwards. Its belief wasn't without any foundation, given Neil Woodford's previous success as a fund manager and the discussions that it had with him and WIM about those issues through which it was provided reassurance, in particular about the level of unquoted holdings in the fund being reduced.

I have considered what Mr S has said about HLAM including the WEIF in its Wealth List even as many reporters were starting to question the liquidity of the fund. However, HLAM was entitled to make its own judgment as to whether the fund should remain on its Wealth List regardless of what others may have thought. It is clear from what I have seen that HLAM deliberated over whether to continue to include the fund on its Wealth List but ultimately its judgment remained that the fund would be successful in the long-term and I am not able to say that it wasn't entitled to come to that conclusion despite the issues that were impacting the fund in 2019.

In making that finding, I have considered what Mr S has said about the WEIF only investing 10% of the fund into illiquid funds. I take him to be referring to the 10% limit on a UCITS fund such as the WEIF investing in shares in companies that aren't listed. HLAM identified this as a red line that would have led to it removing the WEIF from the Wealth List. It has said that at all stages it understood that the fund didn't exceed the 10% limit for such shares and I have seen no persuasive evidence that HLAM was ever made aware that the fund breached the limit. Mr S has referred to HLAM knowing that Neil Woodford had made investments through offshore trading exchanges, such as The International Stock Exchange in Guernsey and to it knowing that he had made investments in the WEIF's sister fund.

It did know about these matters, but they didn't mean that HLAM couldn't still reasonably conclude on balance that the fund would provide a good return to clients in the long run such that it should continue to include it on the Wealth List or that it shouldn't continue to back Neil Woodford based on his previous record, wherein he had been successful following periods of underperformance. It made clear in 2019 that its own belief had been tested and that it could be wrong.

Mr S argues that HLAM didn't make him aware of concerns over the fund's investments in smaller and unquoted companies or any concerns but I don't agree. I wouldn't have expected HLAM to refer to having 'concerns' in its communications with clients, given that throughout it still had faith the fund would perform in the long-term. HLAM did highlight the issues between 2016 and May 2019 - as I have shown by way of the examples I have identified above - that it was discussing with WIM and reasonably thought its clients needed to be aware of when deciding whether to invest or remain invested in the WEIF. The fact it did so whilst at the same time as expressing its positive opinion about Neil Woodford as a fund manager and the WEIF over the long-term doesn't mean it failed to give fair, clear and not misleading information. Its expressions of opinion were clearly identifiable as such. The fact that Mr S chose to rely on its opinion when HLAM's had made clear there had been a change in the makeup of the fund - in terms of the proportion of the fund invested in small and unquoted companies with the increased risk and volatility resulting from this - and the underperformance of the fund, was down to him and doesn't mean HLAM failed to comply with its regulatory obligations.

Mr S has referred to HLAM confronting WIM about the issues with the fund in late 2017 and to the continuing dialogue over the following 18 months about this. He has suggested that HLAM should have informed him about the ongoing dialogue but I am not persuaded there was any requirement on it to relay what was discussed with WIM beyond the updates it did

provide, which I have referred to.

I understand why Mr S feels that HLAM is at fault for the losses he suffered as a result of remaining invested in the WEIF but his complaint comes down to him arguing that he was entitled to rely on HLAM's opinion as to Neil Woodford and the fund and that because its opinion turned out to be wrong it did something wrong. HLAM would only have done something wrong in expressing its opinion if what it said was contrary to what it actually believed or were opinions it couldn't reasonably have come to based on the information available to it. I have seen nothing that persuades me this was the case.

In short, I am satisfied that HLAM provided information that was fair, clear, and not misleading in compliance with Principle 7 and COBS 4.2.1R and that it paid due regard to the interest of Mr S and treated him fairly in accordance with Principle 6 and COBS 2.1.1R. In the circumstances I am satisfied that that it complied with its regulatory obligations.

My final decision

I don't uphold this complaint for the reasons I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 September 2024.

Philip Gibbons
Ombudsman