

The complaint

Miss K complains that Citibank UK limited (“CBUK”):

- Didn’t implement a cost averaging approach to investing £25,000 per quarter over 18 months as referred to in a suitability report.
- Was charged a minimum balance fee when it was agreed this wouldn’t be charged, based on her various accounts.
- Failed to make a timely decision about her ability to transfer £200,000 of bonds from Singapore to the UK so that a deadline was missed.
- Didn’t provide the service it should have done due to her relationship manager (“RM”) being absent and her not being able to contact the team and in failing to carry out portfolio reviews.

What happened

Miss K was a client of CBUK from the early 1990’s until 2017 when she had to move her account to Citibank Singapore (CS) due to the UK business closing. She then became aware that CS didn’t offer GBP investments and it cut the interest payable on GBP savings to zero.

CBUK subsequently reopened and her RM at CS said that it should be able to help her as she had fixed rate bonds worth around £300,000 maturing in 2023. Miss K thereafter opened an account with CBUK in July 2020, transferring £150,000 from CS to do so and intending to credit further funds when her fixed rate bonds matured.

She says it was because of this her RM agreed a discount on charges and waiver of the minimum balance fee. She says there was also an agreed strategy of a quarterly systematic investment plan and transfer of her fixed rate bonds before maturity.

CBUK made the following key points in respect of the complaint issues the subject of the complaint referred to us.

- In relation to the complaint about not investing in quarterly tranches it offered £300 for poor communication.
- There were times when the RM team were unable to provide or offer the desired follow ups and where advice on new investments couldn’t be offered which was exacerbated by market volatility in 2020 and it is sorry for the frustration caused by this.
- It will agree to pay £360 for the additional accountancy fees and a further £300 for the delay in paying this by way of apology but there is no mandatory requirement on it to provide tax certificates.

- In relation to the movement of accounts from CS it cannot comment on the processes of CS and the delays were those of the counterparty.

Miss K referred her complaint to our service and one of our investigators issued an opinion upholding the complaint on the basis that CBUK should have invested £25,000 quarterly in accordance with the agreed investment plan and that it should have calculated redress accordingly and that it should also repay the minimum balance fees as well as the accountancy fees and £300 for delay in payments as already agreed. CBUK didn't agree with the investigator, its main issue being with the finding that it should have implemented the systematic investment plan. The matter was referred to me for review and decision and I issued a provisional decision upholding the complaint the findings from which are set out below.

"The main issue in this complaint relates to the systematic quarterly investments which CBUK has said wasn't a recommendation made by the RM. I note that the first suitability letter dated 26 November 2020 referred to Miss K wanting to replicate the dollar cost averaging approach used in respect of an existing portfolio she had with another firm but that the RM didn't recommend this approach. This was on the basis that the shares Miss K had been purchasing that year had been purchased increasingly at a premium – in short she had not been benefitting from that approach recently.

However, the RM also didn't recommend that Miss K invest one lump sum - because of her experience previously whereby she had suffered losses. He therefore advised that she invest over a number of tranches "yet to be determined" and in the interim invest £30,000 over the course of the next three months. So, although the adviser did recommend Miss K to invest in several tranches, he didn't advise what amounts or when.

The second suitability report dated 16 December 2020 follows a telephone call the previous day, referred to in the letter but which CBUK hasn't provided. I think it is clear that the adviser used the original suitability letter and amended this to reflect this later discussion. This would explain why the second suitability report contains the same statement about the tranches being yet to be determined but also states:

"You confirmed during our conversation on the 15 December 2020 that you are happy and comfortable to invest £25,000 per quarter, over the course of 18 months. This would enable us to put the funds to work in a rising, yet volatile market."

And :

"Investing £25,000 now allows us to take advantage of the more positive sentiments in the market, such as the race for a new vaccine, which has gathered pace."

So, following the first suitability letter there was a discussion between the RM and Miss K about what amount she was comfortable investing and when and the figure arrived at was £25,000 to be invested quarterly.

CBUK says the adviser didn't recommend this approach. I acknowledge that the first suitability letter specifically stated that the RM didn't recommend the dollar cost averaging approach Miss K wanted. However, whether he recommended it in the first suitability report or not, the second suitability report shows that it was subsequently agreed that he would invest in tranches of £25,000 every quarter.

CBUK argues that there was then a change to Miss K's investment approach. However, the evidence it relies on in relation to this argument is an email between the RM and another CBUK employee dated 6 July 2022 – more than 18 months after the December 2020

suitability report when quarterly investment tranches were agreed. In that email the RM states:

“During the last several months (Miss K) wanted to invest another tranche of £30,000 into her mutual fund portfolio and slightly deviate from her original allocation, due to her ethical preferences. Unfortunately, due to our internal commitment to our regulators since February we have been unable to proceed with this tranche. Coincidentally, the markets would have moved against her if we invested back then, but (Miss K) understands that she has a longer term time horizon.”

I note the reference to investing ‘another’ £30,000 and from the figures provided by Miss K, the second tranche payment by CBUK that took place in May 2021 was for £30,000. I have seen nothing to suggest that she didn’t agree that she should invest this amount at the time and should instead invest £25,000 in accordance with the agreed plan set out in the December 2020 suitability report.

However, whilst I accept that the evidence supports a finding that Miss K was willing to vary the amount that she wanted to invest on these two occasions, the email provides no persuasive that she didn’t want to invest quarterly or that she otherwise varied the agreed plan set out in the December 2020 suitability report.

I don’t think anything turns on the reference to Miss K wanting to ‘slightly deviate from her original allocation’. The fact that in 2022 she wanted to invest in slightly different businesses because of her ethical preferences doesn’t explain why CBUK didn’t invest her in quarterly tranches as it had agreed to.

Given the two changes to the amount to be invested it is apparent that there have been discussions between CBUK and Miss K after the suitability letter of December 2020 but neither party has provided any evidence in relation to those discussions. CBUK has provided no evidence that explains why the only quarterly tranche it did invest was in December 2020 and why it failed to make any quarterly investments thereafter. It did invest £30,000 in May 2021, as I have referred to. It isn’t clear if this was intended as the March 2021 tranche, but I think it is fair and reasonable to treat it as though it was.

After this CBUK made no further investments on Miss K’s behalf until the further tranche of £30,000 it invested in August 2022. The email of 6 July 2022 indicates that Miss K had been wanting to invest these funds for several months. I think in the circumstances it is fair and reasonable to assume this was intended as the March 2022 tranche. There is no explanation or evidence that explains why CBUK made no other quarterly investments in 2021.

Whilst I am satisfied that Miss K agreed to increasing the amount of the tranches invested in May 2021 and August 2022 - and wanted to slightly change the allocation of the later tranche due to ethical considerations - there is nothing to suggest that she otherwise changed the agreed investment strategy set out in the December 2020 suitability letter. In other words, there is nothing to suggest she didn’t still want CBUK to invest in quarterly tranches as had been agreed.

The minimum balance fees

CBUK states that for it to have taken account of Miss K’s other accounts with CS she needed to complete a global passporting form. However, it is Miss K’s evidence that it was agreed that she wouldn’t pay the minimum balance fee and if that is right then CBUK should repay the fees regardless of whether the usual documentation was completed. I accept what she has said and in the circumstances it is fair and reasonable CBUK repay these. In any event, it has now agreed to repay these and as such I don’t think I need to make any further

finding on this.

The accountancy fees

CBUK has stated that it had no mandatory obligation to provide tax statements. However, it is Miss K's case that it was agreed that these would be provided and if that is right then it is irrelevant whether it was mandatory for it to do so. Again, I accept Miss K's evidence on this and as such I think it is fair and reasonable CBUK pay the additional fees. In any event, it has agreed to pay the additional fees Miss K incurred along with a further amount of £300 for the delay in payment so I don't think I need to make any further finding on this.

Transfer of the bonds from CS to CBUK

From the available evidence it took longer to transfer the bonds than it should have done but I haven't seen any persuasive evidence that CBUK was responsible for any delay. I also agree with CBUK that as the bonds would have been available to Miss K throughout, regardless of whether they were held by CS or CBUK, Miss K suffered no financial loss as a result of the delay."

I awarded redress on the basis that CBUK compare the value of her portfolio at the point she stopped using its services with what the portfolio would have been worth at that point if it had invested quarterly as agreed. I said it should repay the minimum balance fees in the sum of £612.84 as well as the accountancy fees of £360 together with the £300 for the delay in paying this as already agreed. I awarded £150 for distress and inconvenience caused to Miss K.

I gave both parties the opportunity of responding to my provisional decision. CBUK said that because Miss K requested £30,000 in accordance with her ethical preferences there was never going to be systematic investment tranche after tranche in the same funds or allocations. It said that the transactions that were completed were within her Weight Average Risk rating and didn't breach any concentration thresholds. CBUK also completed the redress calculation set out in the provisional decision in respect of the systematic investment plan and said the client would have lost around £12,000. CBUK said it had previously offered Miss K £300 for distress and inconvenience which hadn't been accepted and therefore wasn't paid by it and that it was still willing to pay this amount and not the £150 awarded in the provisional decision.

CBUK thereafter paid to Miss K £1,324.84 in respect of the redress set out in the provisional decision. Miss K thereafter said it hadn't provided a calculation in relation to the redress for the systematic investment plan and without that she couldn't accept the redress it had paid. There was ongoing correspondence about this with CBUK failing to provide its calculations showing how it had determined no loss resulted from it failing to implement the systematic investment plan. It subsequently did then provide an excel spreadsheet purporting to show its calculations but this wasn't clear.

Miss K thereafter said that CBUK had transferred £1,324 without checking she agreed with its calculations and assumptions. She said the £300 for distress and inconvenience was inadequate and that it had broken its agreement to review her portfolio and invest systematically quarterly and had eroded her capital of £150,000. In terms of its calculations showing that this would have led to a loss of £12,000 she said this was on the basis that the quarterly investments would have been in the same funds irrespective of market factors. She said the reality would have been different as the portfolio would have been reviewed and adjusted taking into account market factors. Miss K pointed to her placing remaining funds in time deposit and exiting investments due to capital erosion when CBUK failed to provide the agreed management of her portfolio.

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.

I have considered the correspondence and information from both parties following my provisional decision. Having done so I am not persuaded I should change the findings set out in my provisional decision, which form part of the findings in this final decision unless I state to the contrary. I note that Miss K has recently emailed in relation to CBUK not providing her tax certificates for her investment account for this year. This doesn't form part of this complaint and as such I am not going to address this.

The main complaint made by Miss K is that CBUK failed to implement the agreed systematic investment plan agreed with her, as I said in my provisional decision. I am satisfied that it did agree this and that it failed to then carry out the plan. CBUK purports to have paid the redress set out in my provisional decision which it calculated amounted to £1,324.84. This was on the basis that its calculations showed that Miss K would have been worse off if her portfolio had been invested in quarterly tranches in accordance with the agreed plan.

Miss K's argues that this doesn't take account of the portfolio being reviewed and adjusted taking account of market factors. I have sympathy with that argument but there is no way of knowing what adjustments might have been made to the portfolio and I can't award redress on that basis. Miss K has also queried whether CBUK should be responsible for the losses she suffered as a result of exiting the funds to avoid further losses in the absence of any support from her relationship manager. However, I can't hold CBUK responsible for losses arising from her decision to exit the funds.

One final matter is that CBUK has paid Miss K £300 for distress and inconvenience instead of the £150 I awarded. However, the amount I awarded for this was in addition to the £300 it had already offered which was for delay in providing the accountants report, as I made clear in the redress I set out. So, CBUK still needs to pay Miss K £150 for distress and inconvenience.

Putting things right

The December 2020 suitability letter referred to investing in quarterly tranches over a period of 18 months. If the plan had been followed then Miss K would have invested the full amount of £150,000 paid into her account as of June 2022.

In the circumstances CBUK should compare the value of her portfolio at the point she

stopped using its services with what the portfolio would have been worth at that point if it had invested quarterly as agreed.

I acknowledge that account will have to be taken of the two tranches of £30,000 that were invested by CBUK - which I have already indicated should be taken to be the March 2021 and March 2022 tranches. I think the most appropriate way to address this is by CBUK calculating every other tranche at £25,000 save for the last tranche in June 2022 which should be taken as only £15,000.

If the calculation shows that the portfolio would have been greater if CBUK had invested quarterly then Miss K has suffered a loss and CBUK should pay this to her along with simple interest at 8% from the date that CBUK stopped providing a service to the date of settlement.

CBUK should also repay the minimum balance fees in the sum of £612.84 as well as the accountancy fees of £360 together with the £300 for the delay in paying this as already agreed.

Miss K has suffered some distress and inconvenience as a result of CBUK's failings and it should pay £150 for this.

My final decision

I uphold this complaint for the reasons I have set out above. Citibank UK Limited must calculate and pay redress to Miss K as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 25 October 2024.

Philip Gibbons
Ombudsman