DRN-4296912

Financial Ombudsman Service

The complaint

Mr G has complained to Wealthify Limited about what he considers to be the poor performance of his pension plan, and the lack of clarity on the figures which were being shown for the plan. Mr G also queried as to why 10% of his plan value was held in cash, given his “adventurous” investment approach.

What happened

In September 2021, Mr G transferred three existing pension plans into Wealthify’s “Adventurous Plan”, which at the time held the following asset split:

Equities	87%
Government bonds	8%
Corporate bonds	2%
Thematic	2%
Cash	1%

Wealthify Limited is a “discretionary investment manager”, and following a suitability test (which may limit the options for particular clients), Mr G himself chose the “adventurous” risk rating for his pension plan.

Following the inception of his plan, Mr G complained about the delays in transferring his existing pensions into the plan and, following an investigation by Wealthify, it paid £466 into his plan as redress in respect of this.

Mr G then complained to Wealthify in August 2022 about several matters, including the manner in which growth was displayed on his plan and the responses and customer service he’d received from Wealthify in respect of his concerns.

Wealthify replied, saying that it had identified a problem with the way in which the redress payment had been invested, which resulted in the “growth view” being skewed, but it reassured him that his money had been invested as it should have been.

It apologised and paid £50 into Mr G’s bank account. It said that, if Mr G remained dissatisfied with the outcome, he could refer the matter to this service, but that this would need to happen within six months, or this service wouldn’t then have its permission to consider it.

Mr G then complained again in October 2022 saying that the plan was showing the wrong performance and that the 11% held in cash was incorrect. Wealthify replied to say that it had checked his plan and the performance was correct. And it said that plans were rebalanced in October 2022 so that cash allocations were increased to 10.5%. It said that Mr G would have received an email confirming this and the rationale behind it.

But further investigation into the way his redress sum had been invested had revealed a delay in that process, and that as a result there was a small loss of around £12. It said that, as a resolution it would pay £25 to Mr G’s bank account. Again, it said that, if Mr G remained dissatisfied with the outcome, he could refer the matter to this service, but that this would need to happen within six months, or this service wouldn't then have its permission to consider it.

Mr G then complained again in April 2023, saying that he was unhappy with the performance of his plan and would like an explanation, and that he didn't feel he had clarity on the figures which were showing for his plan.

Wealthify responded to say that, when establishing his Adventurous Plan, Mr G would have received a factsheet which outlined the aims of the plan and the typical risks associated with it. It commented that the factsheet said the following:

"What's the aim of the Adventurous Plan and who is it for?

The aim of the Adventurous Plan is to maximise growth over the longer term. Investing always involves some level of risk, and movement up and down in value is to be expected. The Adventurous Plan is suitable for investors focused on maximising potential gains, and willing to see substantial movements up and down in value to try and achieve high returns. Investing should be part of a long-term savings strategy and whilst money can be withdrawn from a Wealthify Plan at any time, investing for less than 5 years is unlikely to be appropriate for an Adventurous Plan."

And it said there was a further section of risk as follows:

"Risk of loss

With investing, there's always a chance that investments can go down in value. In a one-year period, there's a 5% chance you may lose more than 14.4% of the value of an Adventurous plan. This is not a maximum loss, and losses in the future may be greater."

It added that the Adventurous Plan was suitable for investors who were comfortable with substantial increases and decreases in the value of their pension funds. It pointed to the positive performance of Mr G's plan in the 12 months preceding May 2023, but said that the overall performance since the plan's inception had been just over -11%.

It noted Mr G's continuing concerns regarding the cash in his plan, but reiterated that this was to shield his pension funds from the current market volatility and to provide liquidity should investment opportunities arise.

It further reiterated the comments in its previous responses relating to the accuracy of the figures shown for his plan, and restated that they were accurate.

Dissatisfied with the response, Mr G referred his complaint to this service.

Our investigator assessed the matter, but didn't think the complaint should be upheld. He said the following in summary:

- He didn't think this service could consider the complaint about the rebalancing of the portfolio and the movement of some of the funds into cash, as this had been addressed in a final response letter which was issued more than six months before Mr G referred his complaint to this service. And Wealthify had said that it wouldn't consent to us considering the matter outside of that six month timeframe.

- Wealthify had provided sufficient warnings about the risks involved in the Adventurous Plan, and that policyholders may get back less that they invested. He referred Mr G to the plan's terms and conditions.

- Wealthify hadn't recommended the Adventurous Plan to Mr G – it had been Mr G's choice.
- Had more of Mr G's fund been invested rather than retained in cash, the losses would have been greater.

Mr G disagreed, however, saying that he didn't think his questions had been answered and he still didn't understand the performance of his portfolio, and what it had been based upon.

Mr G added that he considered it dangerous for a "robo advice" company to be able to ruin the performance of a portfolio without taking ownership or responsibility for it. Mr G didn't think that Wealthify had looked after his portfolio properly. He said that he had the highest risk and should therefore receive the highest returns. He queried as to how, therefore, his portfolio was down -10%, despite the market recovery.

Mr G further queried as to the difference between an investment and a scam, and the point of having a pension administered if he was losing money.

The investigator responded to say that, whilst high risk investments could achieve high returns, they could also suffer large losses, and that Mr G ought to have been aware of this before investing in the plan. He also sent a link to Wealthify's fund fact sheet, which provided more information about how his pension fund was managed.

Mr G continued to disagree, however, saying that if people were making losses on their pension despite positive market performance, then it was a "catastrophe on a massive scale".

He also envisaged a huge scandal involving robo advice and poor performance, as evidenced by the numbers of people complaining about this on sites such as Trustpilot.

Mr G restated his request that an explanation be provided as to why his pension performed poorly whilst most indices performed well. He noted that, between late 2021 and mid-2023, the performance of his plan didn't change much.

The investigator said, in response, that it wasn't for this service to comment on performance, but we could consider whether Wealthify had done anything wrong in the management of his plan which may have caused it to depreciate more than it should.

But Wealthify had set out in its literature that losses could be as great as 16.4% over a one year period and Mr G's losses were currently around 10%.

He also commented that Mr G's pension funds were invested in a number of different indices, markets and asset types. And so the indices to which Mr G had referred may not be a fair reflection of what he'd actually been invested in.

Mr G remained dissatisfied, saying that it appeared that no one wished to take ownership for the situation. He repeated his point about the major indices performing better than his plan, and that if the disparity couldn't be explained, then there was something fundamentally wrong.

As he had been investing for over a year, with no ownership of the situation by Wealthify, the FCA should begin investigating the performance of these schemes and whether they offer good value for money as per the regulations, Mr G added.

As agreement couldn't be reached on the matter, it's been referred to me for review.

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'd firstly say that I acknowledge and understand Mr G's point about the performance of his portfolio compared to stock market indices. But Mr G wasn't invested in a "tracker fund", which, as the name suggests, tracks the performance of a particular index – rather he was invested in a mix of equities (shares), bonds and cash, which was also geographically diverse. It may well be the case that, sometimes, indices perform better than the more diversely invested portfolios into which Mr G's pension funds have been placed, but it will often not.

Mr G would have been aware, or in my view ought reasonably to have been, by virtue of the literature provided to him, that his pension funds weren't invested in a tracker fund. And due to the different performance of different types of asset in the pension portfolio, along with exchange rate fluctuations, this will have meant that his portfolio reacted differently to a basic index.

As set out by the investigator, I don't think the available evidence supports the position that Wealthify has in some way failed to invest according to the manner set out in the fund fact sheet. It did rebalance so that more assets were held in cash during a period of what it considered to be market volatility, but it informed Mr G of this, and as commented by the investigator, this will likely mean that, during downturns in financial markets, Mr G will have been better protected.

It may also have invested in higher risk shares whose performance also wouldn't necessarily have mirrored that of the shares of more mainstream companies which constitute the stock market indices.

And so I don't think I can fairly or reasonably uphold this complaint. Mr G was, or ought reasonably to have been, aware that he could incur losses by investing in a high risk manner, and there is no direct correlation between the performance of stock market indices and portfolios which invest in range of different assets. Nor do I think it would be reasonable to expect that to be the case.

In closing, I've noted Mr G's comments about an investigation which he feels should be undertaken by the FCA, but this is something he would need to refer to that organisation directly.

My final decision

For the reasons given, my final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 24 October 2023.

Philip Miller
Ombudsman