

The complaint

Mr O complains that the time-weighted rate of return Nutmeg Saving and Investment Limited (Nutmeg) uses as the default view on its app is misleading. He says it has led him to think he has *'...been making money when I have not'*.

To put matters right Mr O wants Nutmeg to offer the option to change the default setting, so it does not include the time-weighted rate of return. Mr O says he also wants Nutmeg to *'assess my performance and suggest compensation'*.

What happened

Mr O has an account with Nutmeg. He complained to it as he was unhappy that the default setting on its app shows a time-weighted rate of return (TWRR). Mr O says:

This always makes the performance seem far better and unless you are a professional I find this misleading. I asked nutmeg to have the option as for the standard person this would allow the choice and in my opinion give a more accurate read on account performance. Nutmeg said they would note the feedback but don't have any plans to change. I feel this has led me to think I have been making money when I have not. I think Nutmeg purposely use TWRR to pretend better performance than reality.

Having considered Mr O's complaint our investigator said she didn't think it should be upheld. She explained that this service couldn't require Nutmeg to change the default view on its app and she said she didn't think the TWRR was misleading.

Mr O did not accept our investigator's view. He said he felt there was *'...no benefit at all to the customer to display TWRR...'* And he said the key point he wanted an ombudsman to consider was:

Is TWRR default to purposely show better results than are actual to the average customer?

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 note that Mr O feels the investigator misunderstood his complaint and he has provided a worked example to support his view that a TWRR is misleading. I am sympathetic to Mr O's position, and I do understand why he would prefer the default setting on the app to be 'real-time performance' rather than the time-weighted rate of return.

However, this service determines complaints on their individual merits. We don't have the power to fine a business, take disciplinary action against it, or order it to make changes to the way it operates. That is the role of the industry regulator, the Financial Conduct Authority (FCA). I therefore cannot order Nutmeg to change the default view to 'real time performance'.

Having carefully considered this matter I don't think Nutmeg has treated Mr O unfairly. I

understand that he can change the setting on the app to view the simple return on his investment, rather than the time-weighted rate of return. I appreciate that this is an inconvenience for Mr O, but I don't think it is particularly onerous for him to change the app view to his preferred setting.

Likewise, although I note Mr O says he has lost out financially as a result of the time-weighted rate of return being displayed as standard – he says this led him to think he had '*...been making money when I have not*' - I can't reasonably find that the time-weighted return view has caused him to lose money.

Mr O also says his wife moved to another provider and he has '*...lost significant cash versus my wife's portfolio in other companies*'. It is always disappointing when an investment does not perform as well as expected, but I can't reasonably require Nutmeg to compensate Mr O for any difference between the investment performance of his wife's investment with another provider and the returns he has achieved with his Nutmeg investment.

In relation to the question Mr O said was the crux of his complaint:

Is TWRR default to purposely show better results than are actual to the average customer?

Having carefully considered this point, I cannot reasonably find that a time-weighted rate of return is being used by Nutmeg to '*purposely show better results than are actual*'. As Nutmeg explains on its website:

Time-weighted rate of return (TWRR) provides a measure of your investment performance without the effect of a cash flow event (i.e., contributions, transfer, withdrawals, bonuses).

Nutmeg determines TWRR by calculating the returns of your investments each time there is a cash flow event and then uses each of these individual returns to then calculate the TWRR for the whole period.

TWRR provides a fair, accurate and comparable view of investment performance, without the distorting effects of cash flows, which is why common indices such as FTSE100 S&P500 and ARC use this to measure performance.

I think this is a fair explanation of a TWRR and I don't think Nutmeg has used a time weighted rate of return in order to mislead Mr O about the performance of his investment.

I do understand that Mr O is concerned about the wider implications of Nutmeg using a TWRR as its default setting. Mr O has explained that he feels '*...some inexperienced people could be misled*', but as I set out above, this is not something I can consider as part of this complaint.

If Mr O remains of the view that the default time-weighted rate of return view on the app is unfair, he may wish to contact the FCA about his concerns.

My final decision

My decision is that, for the reasons I have set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 10 January 2024.

Suzannah Stuart

Ombudsman