DRN-4342373

The complaint

Mr B complains that he was provided with unsuitable investment advice by Raymond James Investment Services Ltd. He says, in brief, that -

- The advice involved too much risk.
- He was told he'd receive a return of 6 - 10% very year, which has not been the case.
- He was misinformed about the fees involved.

He seeks compensation for losses, a refund of fees and a sum for the distress and inconvenience caused.

What happened

Mr B was initially provided with advice by Raymond James in January 2017. Following a meeting with an adviser he invested a total of £275,000 – £75,000 in February 2017 then £200,000 in May 2017 – on a discretionary managed basis, split across a general investment account, an ISA, and a SIPP.

The relationship between the parties was then ongoing until mid-2019 at which point, due to changes in the Financial Conduct Authority authorisation of Raymond James, management of Mr B's investments moved to another business. (A complaint has also been made about that business and dealt with under a separate reference).

In early 2022 Mr B complained about his investments, in terms as set out above. The complaint was initially made to the business to which management of the investments had moved, but then redirected to Raymond James as it was responsible for the initial advice.

Raymond James issued a final response in November 2022 in which it explained it was not upholding the complaint. It felt, in brief, that the advice had been suitable for Mr B's needs and circumstances. It also didn't feel any guarantees had been given in respect of potential returns and it was satisfied appropriate information regarding fees had been provided.

The complaint was referred to this service, but our investigator also didn't think it should be upheld, for broadly the same reasons as those given by Rayment James.

Mr B didn't accept the investigator's opinion, so the matter was referred to me to 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.

Having done so, I've also concluded that the complaint should not be upheld.

I appreciate Mr B feels very strongly about the matter. I note the comments he's made concerning his well-being and hope very much that he's receiving all the support he needs. But in reaching a conclusion on his complaint, I must remain impartial and carefully consider all the evidence before me. In that respect, I can assure him I've looked at all his written submissions and everything else he's provided, including the witness statements, photos, and telephone recordings.

However, I trust Mr B won't take the fact that my findings focus on what I consider to be the central issues, and that they're expressed in less detail than his submissions, as a discourtesy. The purpose of my decision is not to address every point raised in detail, but to set out my conclusions and reasons for reaching them.

Where matters are unclear or in dispute, I've reached my conclusions on the balance of probabilities – in other words, what I consider more likely than not to have happened based on all the evidence available and the wider circumstances.

I'll consider each of the main points of Mr B's complaint in turn.

Attitude to risk

As part of the advice 'fact finding' process, during which details of Mr B's circumstances and objectives were recorded, he completed a questionnaire designed to categorise his personal risk tolerance. He scored 52, which placed him within the fourth category, which was the middle of the seven available. This equated to a 'balanced' portfolio with an investment strategy reflecting a 50% defensive/50% growth split. However, the documentation suggests that discussion led to Mr B's categorisation being pushed up one level, to the fifth risk category and, as such, an investment strategy weighted more towards growth – 25% defensive/75% growth.

Mr B strongly refutes that this re-categorisation stemmed from discussions with the adviser and says it's something he didn't agree to or understand. And, moreover, it was unsuitable for him due to his lack of investment experience.

I've noted Mr B's comments, but must weigh them against the documentary evidence, which clearly explained the change in categorisation and reasons for it. I've also considered the wider circumstances and while it's clear Mr B was a novice investor in terms of the stockmarket, he had a rental property investment and has said that prior to receiving advice from Raymond James, he'd been intending to make further rental investments.

He was in his 30s, with his main residence and his rental property owned in full without mortgages and with a recorded liquid net worth of around £435,000. Given these circumstances, I don't think it was unreasonable to have stretched his risk categorisation slightly for the size of investment in question, particularly as his risk score put him toward the top end of the middle category – 52 in a range of 45 to 54. In all the circumstances, on balance, I don't think it was unsuitable to have advised Mr B to invest at this slightly higher level of risk with a strategy focussed more on growth.

Investment returns

This issue is Mr B's primary concern. He says he was effectively hoodwinked into accepting the investment advice based on what he refers to as 'pledges' by Raymond James' adviser that the investments would return no less than somewhere between 6% and 10% annually.

Again, I've considered carefully what Mr B has said on this point. But there is nothing in the documentation that indicates he was given any guarantee as to what rate of return he would receive. I've no doubt that the adviser was very encouraging and positive about the potential for the investments to perform well. And the sort of figures quoted by Mr B are not outside the sort of examples I might expect to see given as *potential* returns in this type of advice scenario, especially as it appears the advice was given looking at a long-term, around 16-year, time frame.

Mr B may have accepted the adviser's recommendations on the basis that he would definitely receive no less than 6% per year. But I don't think I can hold Raymond James responsible for any misconception about that on Mr B's part. While some of the related documentation may have been received by him after the advice was given and the money had been invested, it nevertheless contained statements that explained the risks involved and the possibility of loss – such as "*The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your initial investment*."

Even if received after the event, I think it would've been reasonable for Mr B to question this sort of information if he had proceeded with the investments based primarily on the understanding of receiving a guaranteed return. I can see that by the end of 2018 he was questioning the performance of the investments and was clearly disappointed that the first few years had not produced the performance he'd thought he'd see. But overall, I don't think, on balance, the evidence supports him being misinformed about the likelihood of positive returns.

Mr B has provided a recording of a phone call with the original adviser made much later, in 2022. In the call he suggests to the adviser that he has a sum of over £1million that he's looking to invest. He's said that the comments made by the adviser on this call very much reflect the tone of the sales pitch put forward in 2017 and this supports his argument that he was promised a minimum level of return.

But I don't think it's fair to use this call, made five years after the events in question and in a different context, as a gauge of what may have happened previously. And in any event, the adviser says during the call that the potential 6% - 10% returns that Mr B repeatedly suggests might be possible are "reasonable expectations", with many caveats added. He doesn't say anything I think could be reasonably construed as a pledge or guarantee about what would be achieved if an investment were to go ahead.

And as an aside (which I'd stress is not a deciding factor in my consideration of whether the advice was suitable for Mr B, or whether Raymond James failed him in any other way) I think it's nevertheless worth bearing in mind that over the period that Mr B was invested, the returns did on occasion reach levels of over 6% annually. He was invested over a period that saw the massive stockmarket fall associated with the pandemic and lockdown, but the recommended investments still performed broadly at levels that outstripped our benchmark comparisons for lower risk investments.

The fees

Mr B also disputes that he was fully informed about the fees he would be charged by Raymond James for the advice. He says if he'd known that he would be charged 3% (plus VAT) for the initial advice along with an ongoing 1.2% (plus VAT) annually as management fees he wouldn't have invested.

Again, I must balance Mr B recollections with the documentary evidence – the information provided to him at the time of the advice or in the months that followed. He was clearly aware of at least the 3% as he challenged this level of charge in an email very early in the process, in January 2017, suggesting it "wasn't going to work". I think this shows that he was aware that charges of some sort would be incurred and further, that he was quite engaged with the process of charging – enough so to take issue with it.

When he then made his initial investment of £75,000 in February 2017, he's confirmed he was sent a spreadsheet that showed the set-up fees, but he considers this to have lacked sufficient detail. But the spreadsheet did show that the fees were subject to VAT, albeit in a slightly unclear manner, and this information was provided quite some time prior to Mr B then making the main investment of £200,000

Raymond James has said that Mr B was provided with all the relevant pricing information at the outset in its normal, clear format and continued to be provided with it annually, which is what I would generally expect to see.

So, on balance, I think more likely than not, that Mr B was provided with the correct pricing information. If he misunderstood it in anyway, or didn't appreciate the full impact of it, I don't think that's something for which I can hold Raymond James responsible. Mr B says that by the time he found out what the charges really were it was too late, and he was already committed to paying them. But he could have complained at that point that he'd been misinformed, or he could've looked to move his investments to another provider with lower fees – although those charged by Raymond James look to be generally in line with industry norms for the service provided.

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 B to accept or reject my decision before 9 October 2023.

James Harris
Ombudsman