



Case study: Investment/Funds

COMPLAINANT'S INVESTMENT INSTRUCTIONS NOT FOLLOWED BY INVESTMENT MANAGER

Themes: investment manager; calculation of loss; distress and inconvenience; investment advice.

This complaint relates to an investment manager who did not act fully in accordance with the complainants' investment instructions.

In 2018 Mr & Mrs D set up a long-term investment portfolio for their descendants with their long-standing investment manager. The investment portfolio was to be held for twenty years or more and was to hold higher-risk assets.

In May 2022 Mr & Mrs D approached their investment manager about the investment portfolio and were advised to sell elements of their investment to reinvest into assets held in GBP. Mr & Mrs D agreed but the decision meant that they incurred a tax liability. Furthermore, the reinvestment was implemented during a time when the markets had fallen. Mr & Mrs D felt they had missed out on the potential proceeds from the market recovery. Mr & Mrs D had also asked their investment manager not to sell and reinvest one of the investments in their portfolio, but it turned out this had been sold and reinvested, so Mr & Mrs D made a complaint. Mr & Mrs D's investment manager rejected their complaint but did offer to compensate them for the investment that Mr & Mrs D did not want sold and reinvested. Mr & Mrs D rejected their offer, closed their investment portfolio, and referred their complaint to CIFO.

CIFO investigated and found that Mr & Mrs D's investment manager had provided clear and appropriate advice regarding the potential benefits and disadvantages associated with the sale and reinvestment of the assets within the investment portfolio. CIFO also found that Mr & Mrs D's investment manager had provided Mr & Mrs D with information about a tax liability that might arise. CIFO did not believe it was reasonable for Mr & Mrs D's investment manager to have calculated and provided the actual liability amount to Mr & Mrs D. CIFO also located evidence to suggest that Mr & Mrs D's investment manager was entitled to believe that Mr & Mrs D had agreed to reinvesting all the investment portfolio. However, CIFO did note that Mr & Mrs D's investment manager had not reinvested the investment proceeds entirely in accordance with what had been agreed.

Therefore, CIFO upheld the complaint in part and recommended that Mr & Mrs D's investment manager compensate Mr & Mrs D for the value of what the investments would have achieved had they been reinvested appropriately. In addition, it awarded 8% interest on that value from the date the assets were sold to the date that compensation was paid to Mr & Mrs D.

Mr & Mrs D's investment manager calculated the appropriate alternative investment value. The amount calculated showed that the investments within the portfolio had performed better than

what was intended by Mr and Mrs D's instructions. Therefore, they had not been disadvantaged by the error. There was no economic loss to be compensated. However, CIFO recommended Mr & Mrs D's investment manager compensate them £400 for the distress and inconvenience caused by not fully following the reinvestment instructions provided by Mr & Mrs D.