



Case study: Investment/Funds

EARLY CANCELLATION OF INVESTMENT SCHEME LEADS TO COMPLAINANT'S LOSSES

Themes: investment scheme; independent financial adviser; investment manager; liquidation.

This complaint relates to a complainant who believed he suffered investment losses because he was not appropriately advised of the investment scheme's terms and conditions.

In October 2021, Mr S decided to invest some funds into an investment scheme and consulted an independent financial adviser. Based on the independent financial adviser's recommendation, Mr S completed an application with an investment manager to invest a monthly amount of approximately £750 for a twenty-year period and made an initial investment of approximately £9,500 to cover twelve months' worth of contributions.

In October 2022, Mr S contacted his investment manager as he wanted to cancel his investment scheme and redeem the investment. The investment manager advised Mr S that the investment had made virtually no return, approximately £3, and due to up-front set up and administration fees, the value of his original £9,500 investment was now approximately £9,200. However, Mr S's investment manager did suggest that Mr S could freeze his contributions and resume these at a future date.

Mr S made a complaint to his investment manager as he believed his investment had been misappropriated and that he should receive most of the investment, subject to a reasonable administration cost. Mr S's investment manager rejected his complaint and stated that Mr S had agreed with the redemption value terms when he had signed the terms and conditions but reiterated the offer to freeze Mr S's investment contributions. Mr S referred his complaint to CIFO as he believed his investment scheme was set up with the ability to be cancelled and liquidated after a year.

CIFO investigated and noted that Mr S had chosen an investment product that estimated a reasonable return and had agreed to the terms and conditions using his online investment platform. The terms and conditions clearly outlined the set up and administration fees and that contributions would need to be made for the whole term of the investment scheme. CIFO also noted that Mr S's independent investment adviser had confirmed to Mr S that the investment scheme could not be liquidated in the first few years of investment. However, Mr S stated that he believed he had stressed the need for liquidity with his independent investment adviser.

CIFO concluded that Mr S's terms and conditions for the investment scheme clearly stated the low potential value of the investment in the first year and the up-front fees that would be applied. CIFO also concluded that the advice and guidance provided from Mr S's independent financial adviser was a separate matter and Mr S's investment manager was not responsible for any complaint that may arise from Mr S's dealings with the independent financial adviser. CIFO suggested Mr S raise his

concerns about his independent financial adviser with the appropriate regulator or ombudsman in the jurisdiction where he received the financial advice. CIFO did not uphold the complaint.