



Application and disclosure of 3rd party fees on investments

What happened

Alex reviewed his investment portfolios and found the management fees were not always charged at the agreed rate, and third-party fees were inconsistently disclosed.

He felt these errors breached the investment firm's Terms of Business (ToB) and led to financial loss.

The investment firm acknowledged a manual error in fee adjustments, which led to an overcharge of **£600**. They offered to reimburse this amount.

Third-party fees were estimated at account setup but were not regularly detailed in statements, which Alex felt impacted his investment choices.

What we considered

- whether fee disclosures were consistent with CIFO's understanding of the local regulatory requirements
- the impact of fee-charging errors and lack of transparency
- how Alex's investment knowledge determined what information was understood and accepted
- whether the investment firm acted reasonably and promptly in correcting mistakes

What we found

- Alex was knowledgeable and understood the risks
- fees were initially disclosed accurately
- a manual error caused a fee overcharge, this was acknowledged and a refund was offered
- annual statement lacked third-party fee details until 2020, but could be requested
- fee contract terms were unclear

COMPLAINT UPHeld IN PART – the firm was required to refund the fee error and pay compensation for the distress and inconvenience experienced

Key learning

In assessing firm's duties, timely fee disclosures, correction of errors, and clear contract language play an important role. If these duties are breached, compensation may be justified. While initial and accurate disclosure, and client understanding can set expectations, it's regular transparency that prevents misunderstandings.