

Date 27 April 2021

**Final report by the Complaints Commissioner****Complaint number FCA00630***The complaint*

1. On 30 November 2020 you asked me to investigate a complaint on behalf of your client connected to the Connaught Income Fund Series 1. I am sorry for the delay in reviewing your complaint, but I thought it prudent to wait for the Raj Parker review to be published in order to see if anything within that report pertains to the matters you complain about. I have found that it does not. The Raj Parker review can be found here:

<https://www.fca.org.uk/publication/corporate/connaught-independent-review.pdf>

*What the complaint is about*

2. The FCA summarised your complaint as follows:

## Part One

You say there is a miscalculation in Connaught fund related redress calculations made by Duff & Phelps and the FCA. You say these calculations were based on the original amount invested by your client in January 2010 of £180,000. You say the residual value of the fund pre suspension is £60,000 after £120,000 was withdrawn by your client between May 2010 and July 2011. Therefore, you feel the calculation should be based on £60,000, less the quarterly interest payments (£2,411.83) made in October 2011 and January 2012, less post suspension outflows (£18,078). You believe the overall due to your client should be £39,510.17.

## Part Two

You say all previous correspondence received from an FCA staff member A ignores your client's personal investment within his GIA

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investment with Transact. As a remedy, your client would like an accurate calculation of redress. He would also like compensation for the time taken for accurate calculations to be made and the economic and emotional stress caused to your client by these delays.

*What the regulator decided*

3. The FCA clarified that 'When you use the term 'accurate' we understand this to mean your client would like a calculation carried out using the residual amount at the funds suspension rather than a calculation carried out which, as stipulated in the final notice, uses the initial investment amount. Your client is unhappy with the basis of the redress methodology rather than the actual calculation. The FCA did not uphold your complaint, although it explained the reasons why the methodology was used. Turning to the GIA investment, that too was deemed to be dissatisfaction with the redress methodology and this part of your complaint was also not upheld.

*Why you are unhappy with the regulator's decision*

4. Your client feels that the basis of calculation offered for his redress is 'both flawed in logic, and totally unreasonable'.

*My analysis*

5. I appreciate your client is unhappy with the redress methodology and the way the FCA exercised its discretion in reaching this redress methodology via a resolution with Capita Financial Managers Limited (CFM) and Capital plc (Capita), under which they agreed to pay up to £66 million to investors who had suffered loss as a result of investing in the fund.
6. The FCA describes the methodology in the Annex to the Final Notice (<https://www.fca.org.uk/publication/final-notices/capita-financial-managers-limited-2017.pdf>) and further explained to you that its aim was to put investors as closely as possible back in the position they would have been in if they had never invested in the fund. The redress scheme does not treat investors differently based on their specific cases. All investors received a payment on the same basis, as described above. You have made the point your client has not been put back in the position he would have been in if he had not invested. I am sorry to hear that, however, the proposed methodology did not guarantee that

investors would be put back in that position, only that it would try to do so as *closely* (my emphasis) as possible.

7. Similarly, the FCA felt nothing further was due to your client as he had already recovered anything due on the GIA investment through various cash outflows, although I appreciate you feel a different redress methodology would have resulted in a higher payout for your client.
8. Before I provide you with my decision, I should make it clear that it is not my role to say what I would have decided had I been the regulator. My task is to assess whether or not the decisions were within the range of decisions which the regulator could reasonably have taken, in the light of its statutory duties and policies. In making this assessment, I have the benefit of reviewing all the regulator's records, including material which is confidential.

*My decision*

9. It is my view that the redress methodology the FCA agreed with Capita and CFM is not unreasonable. Your client was treated in the same way as all other investors. I appreciate your client would have liked to receive a larger sum in redress, however, the adopted redress methodology is within the discretion of the FCA. I appreciate you do not agree with my view, and continue to feel the redress methodology is flawed, but my view remains as above.

Amerdeep Somal

Complaints Commissioner

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