DRN-2122425

The complaint

Mr L complains that investment advice he received from Lloyds Bank PLC in 1997 was unsuitable.

Mr L is represented in this matter by a third party.

What happened

In 1997 Lloyds advised Mr L to invest a total of £20,000. The money was split between two products, £6,000 into a Personal Equity Plan (PEP) and £14,000 into Lloyds Premier Classic Bond (PCB).

At the time the advice was given Mr L was 45 years old and had a net monthly income of £750. He had £21,000 in his savings account. I understand that this money had come from a recent inheritance. Mr L's attitude to investment risk was recorded as *'low/medium'* by the adviser.

The adviser also noted that Mr L was investing for capital growth over the medium term and wanted capital security on some of his investment.

The PCB matured in August 2003 with a value of £14,070. In October 2003 Mr L cashed in his PEP for £6,043.97.

In 2019 Mr L's representative complained to Lloyds about the advice he had been given. It said Mr L had been advised to invest too much of his inheritance and he had not been able to make an informed decision as he had not been given information about deposit based savings products.

Lloyds accepted that the advice Mr L was given in 1997 wasn't suitable. It said that, having reviewed the advice, it felt Mr L had been advised to invested too much of his money and as a result he hadn't had a sufficient cash emergency fund.

In order to put matters right Lloyds worked out what Mr L's financial position would've been if he had invested a total of £10,000 split between the PEP and PCB. It paid Mr L a total of £8,202.93 compensation. This amount included interest from the date the investments were encashed to 16 November 2019.

Mr L's representative referred the complaint to this service as it didn't feel the redress offered adequately compensated Mr L. In particular, it said Lloyds hadn't addressed its key point that Mr L hadn't been given information about deposit based savings accounts.

It said that:
'*If the adviser had provided Mr L with a comparison of what he could have earned risk free in a fixed rate bond available at the time, we do not believe our client would have chosen to take the risk of a nil return and invest any money at all.*

Our investigator considered Mr L's complaint. Having done so she said she felt the offer Lloyds had made was fair and she didn't think it needed to do any more to resolve this matter.

She noted that Lloyds said that it felt Mr L should only have been advised to invest £10,000 split between the PEP and PCB in 1997. It felt this would've left him with sufficient cash reserves.

But Mr L's representative said it didn't think Mr L should have been advised to invest ***any*** of his money in equity linked investments.

Our investigator said she had considered whether Lloyds would still have acted incorrectly if it had advised Mr L to invest a total £10,000 into the PEP and PCB instead of £20,000. She noted this would have left Mr L with around £11,000 in deposit based savings.

She said that given Mr L's stated attitude to investment risk was *'low/medium'* she felt he had been willing to take some investment risk to achieve his aim of capital growth. And she said she wasn't persuaded that just because Mr L was a first time investor, it would automatically have been unsuitable for Lloyds to recommend an equity backed investment.

She also noted that the risk that Mr L might not receive a return on his investment had been explained in the point of sale information provided at the time.

Mr L's representative didn't accept our investigator's view and asked for this complaint to be determined by an ombudsman.

It said it accepted that there was no risk to Mr L's capital with the PCB Lloyds recommended. But it noted that the PEP fund recommended '…only had a 95% guarantee of maintenance of capital *each year*.'

In view of this it said it felt the investments recommended in 1997 were too high risk for Mr L. It also reiterated its view that if a comparison with the deposit accounts on offer had been provided Mr L would not have taken out any equity backed investments.

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.

I have carefully considered all that Mr L's representative has said and provided. Having done so I think the redress Lloyds has already paid to Mr L is fair and reasonable in the circumstances of this complaint. I don't think it needs to do any more to resolve this matter. I'll explain why.

The crux of this complaint is whether Mr L should have been advised to invest any of his money in equity backed investments. Lloyds says that given Mr L's attitude to investment risk and his goal of capital growth over the medium term it would not have been unsuitable if Mr L had been advised to invest £10,000 of his £21,000 in equity backed investments with some capital protection.

Mr L's representative says he shouldn't have been advised to invest any of his money in equity backed investments. It says if he had been given information about deposit based savings accounts, he wouldn't have gone ahead.

In reaching my decision I am mindful that if Mr L had wanted information about deposit based savings rates this would have been freely available to him. He didn't need a financial adviser to provide this information. Likewise, there was no regulatory requirement in place for advisers to provide information on the interest rates available on deposit based savings before recommending equity backed investments.

Having carefully considered all that has been said and provided I don't think Mr L should have been advised to leave all his inheritance in deposit based savings as his representative has suggested.

The information available shows that Mr L wanted to invest for capital growth over the medium term. I don't think it is unreasonable for Lloyds to say that it would have been suitable for this objective to have been met by investing £10,000 of Mr L's inheritance in equity backed investments. This would have left him with over half his money in deposit based savings.

Given Mr L's low to medium attitude to investment risk I think the funds recommended that offered some capital protection were suitable for Mr L's stated objectives and attitude to risk.

It is unfortunate that the investments did not perform as Mr L hoped, but I am satisfied that the point of sale information explained that there was no guarantee that the investments would increase in value.

In summary, I think the redress Lloyds has already paid Mr L on the basis that it should only have advised him to invest £10,000 is fair and reasonable.

My final decision

My decision is that the redress Lloyds Bank PLC has already paid to Mr K is fair and reasonable. I don't think it needs to do any more to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 25 October 2020.

Suzannah Stuart
Ombudsman