DRN-2129749

The complaint

Mrs C complains about advice given by Barclays Bank UK Plc ("Barclays") to invest £20,000.

What happened

In 2005, Barclays advised Mrs C to invest £20,000 into a third-party bond guaranteed fund, leaving £16,200 on deposit. Those acting on Mrs C's behalf say she was an inexperienced investor and the fund exposed her to too much risk, alternative investments were not considered, the capital return was misleading and the key facts document should have been provided earlier.

Barclays say that the investment was suitable for Mrs C as an inexperienced investor, but they accept that she was advised to invest too much. Barclays consider that investment of 50% of available funds would have been appropriate. They've offered to compensate Mrs C on the additional £2000 invested by comparison with the fixed rate bond comparator plus interest to the date of the offer.

Initially our investigator upheld the complaint and asked Barclays to provide more compensation. Upon reviewing the matter, our investigator took into account that Mrs C had discussed future care needs, the fund met her requirements for generating growth, she had been provided with information about the product and alternative products had been discussed at the time. On balance, our investigator thought Barclays' offer was fair and reasonable, so he didn't ask them to do anything more.

Mrs C disagrees with the view. Those acting on her behalf say that Barclays likely had guidelines recommending that cautious investors should only invest 40% of their funds, so redress ought to be compensated on £3600.

The matter has now come to me for a final decision.

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've considered Mrs C's circumstances at the time. Mrs C had recently sold her property and had moved to assisted accommodation. Mrs C had a disposable net monthly income and was looking for an investment to achieve a return on her funds that was better than a deposit account.

Mrs C was risk assessed as a cautious investor, in that she was willing to take some level of risk but was only willing to invest in investments which were unlikely to fall substantially by the end of the investment period. She was looking to grow her funds as best as possible against that requirement and was not looking for additional income. Mrs C didn't need access to the invested funds and had no planned expenditure. She understood there was a five-year period of investment. The documents from the time record that provision for long term care was discussed, but Mrs C was content that she had moved to assisted accommodation and didn't wish to make further provision at this stage. National Savings were discussed, but were discounted by Mrs C as she thought the rates were poor.

Barclays recommended investing into a managed fund containing a split of assets with around 40-45% being in equities. The capital sum was guaranteed at the five-year anniversary point, which was attractive to Mrs C, as it gave her peace of mind and she was aware that early surrender penalties could apply if it was cashed in earlier.

Having considered Mrs C's particular circumstances, I don't think the recommendation exposed her to a higher level of risk than she wanted to take. The objective was capital growth with a guarantee of return of the original payment less withdrawals at the five-year anniversary. Mrs C therefore had some capital protection with an opportunity for growth in line with her requirements. Mrs C had access to emergency funds and could access the funds within the investment in that five-year period if she wished to do so.

When reviewing this complaint, Barclays conceded that Mrs C was advised to invest too much. They've suggested that £18,000 should have been invested instead of £20,000.

Putting things right

Those acting on behalf of Mrs C say the advice given about the level of cash reserve was inconsistent with Barclays internal guidance at the time, so redress should be on £3,600 not £2,000. I haven't seen anything to support set guidelines and Barclays have been unable to locate any guidance from 2005 due to the passage of time. The general guidance by 2006 was that those under 75 years of age had to retain a minimum cash reserve of £5000 or not less than three times their net monthly income. Mrs C met these criteria but I don't think it takes matters further, as its already been agreed that she was advised to invest too much.

On balance, I think Barclay's offer to compensate Mrs C on £2000 is reasonable. That would place her in the position as if half of her available funds had been invested. I think the use of the fixed rate bond comparator was fair and reasonable as the £2000 would have been held on deposit. Barclays recalculated interest to the date of the offer, arriving at total compensation of £893.81. I think that was fair, so I won't be asking Barclays to do anything more. I also note that Barclays paid Mrs C £100 for the delay in handling the complaint.

My final decision

I am not upholding this complaint as I consider that Barclays' offer of £893.81 was fair and reasonable. I direct that it is now paid to Mrs C.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 22 April 2021.

Sarah Tozzi
Ombudsman