

The complaint

Mr and Mrs C complain that HSBC UK Bank Plc advised them to invest too much money in an unsuitable investment bond, particularly given their planned expenditure.

What happened

When Mr and Mrs C met HSBC's advisor they had just sold their business for around £1.2 million and had £90,000 in assets. Mr C was now working freelance earning more than the business had delivered in annual profits. They were planning to retire in three years and possibly live abroad.

They wanted to invest some of the business proceeds in a three-year product and were recorded as both wanting to keep their capital secure but also willing to take a medium level of investment risk.

HSBC recommended they invest just over £500,000 in a three-year FTSE-linked capital-guaranteed bond, with assets held offshore for potential tax benefits if they had moved abroad by the date of maturity.

An investigator at this service did not feel there was sufficient evidence to uphold the complaint, mainly because he was satisfied that Mr and Mrs C could afford the risk getting no return on this portion of their capital given their wider financial resources.

Mr and Mrs C's representative did not agree, and said:

- It was inappropriate to make an investment at this time given the very extensive (and expensive) work they planned for their home, let alone 50% of their capital
- While the investigator claimed that the impact of nil-return may not have impacted their financial future, this would have been something that Mr and Mrs C would not have been willing to accept had they been aware of the full risks this represented
- This was money built in their business from their entire working lives and not something that they would have been willing to gamble with recklessly had they been aware of the risks in the product and the low chance that this would exceed the risk-free return available elsewhere
- Mr and Mrs C eventually had to take out two mortgages; these included the need to buy somewhere to live while their major planned building work took place. This demonstrates that they were advised to invest too much money

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.

In this case I agree with the investigator and for the same reasons.

Customers are often heavily reliant on an advisor to assess their circumstances, likely financial needs and objectives in order to work out how much money they can afford to invest and what level of risk they ought to take. However, this does not mean that one can safely assume that all customers are completely dependent on an advisor in order to establish every aspect of their situation.

I can see no reason why Mr and Mrs C would not have been able to decide how much of their capital they were willing to commit to a three-year investment product given their potential spending plans. Obviously building projects frequently overspend but it looks as if their major expenditure was to purchase a flat and I think it is more likely than not that this was something they would have been aware was a possibility at the time of investment.

Either way, if they did not tell the advisor about this possibility – and there is no evidence that they did – I don't accept that he was wrong to recommend investing just under half of their assets for a limited time period i.e. until their intended retirement date.

There is a lack of clarity about their willingness to take a risk with any of their considerable assets, the Fact Find both recording a desire to keep their money 'secure' alongside an appetite for a medium level of risk. This may mean they were in general prepared to take some risk but wanted to keep this £500,000 plus safe. The advisor, in my view, ought to have explored this further.

But, overall, I do not believe there is sufficient evidence to safely say this was an unsuitable recommendation. I certainly don't think it is clear what would have been a more suitable alternative.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 19 July 2021.

Tony Moss
Ombudsman