DRN-3805220

The complaint

Mrs P complains that Zurich Assurance Ltd ('Zurich') gave her unsuitable investment advice.

What happened

Mrs P sought investment advice from a financial adviser on behalf of Zurich in 1997. The adviser conducted what they called 'a financial health check' and recorded down with Mrs P different aspects of her financial circumstances.

Acting on the adviser's recommendation, Mrs P agreed to invest £100 a month into a savings plan where the proceeds would be invested. This was called a *'Maximum Investment Plan (MIP)'.*

Mrs P through her representative, says after being asked out of a scale of one to four, with four being the highest, what her attitude to risk was, she replied two. This, on Zurich' scale was on the cautious side of balanced. With Cautious being a rating of 1 and Speculative being 4. She says investing in a managed fund with 75% in equities is not a fair reflection of the attitude to risk she held at that time.

Mrs P also complained that she was not looking for life cover and only was looking to save. She also added that the savings plan term was over ten years, but Zurich gave no rationale as to why that term was suitable. She also mentioned the performance of the fund and that the life cover payment affected this performance.

I issued a provisional decision on this complaint in October 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

"The investigator gave their view about life cover being included in the plan and neither party has made any further comments about this. So, I don't feel I need to comment anymore about it, other than to say that I can see it was a component of the plan and acknowledge Zurich's comments about why it was. What I need to look into is what I see as the crux of Mrs P's complaint. This is whether the advisor on behalf of Zurich gave advice that was suitable for her at that time. So, I have looked into this in more detail.

When thinking about whether Zurich gave Mrs P suitable investment advice, I've thought in particular about the amount she invested and the risk this involved. The questions that I think need answering are: was the investment advice Zurich provided suitable for Mrs P? did its recommendation meet Mrs P's attitude and capacity to risk? And could she afford it?

With this approach in mind, I've thought about Mrs P's financial situation in 1997 when Zurich provided investment advice and made its recommendations to Mrs P.

Zurich has produced paperwork including a fact find document that it called a 'financial health check'. This document shows that Mrs P was asked a series of questions about her *finances, what she wanted to invest for and her attitude to risk. Mrs P then signed this document.*

Mrs P told Zurich that she was looking to save so she could provide a capital sum for her daughters in the future.

There is a section in the fact find with a question directly about risk attitude. It says: 'what is your attitude to investment?' This suggests to me a conversation was had about Mrs P's risk attitude. This led to Zurich identifying Mrs P's investment approach as 'balanced' – but I can see on balance, this would be on the cautious side of balanced. I say this because the second of four options was ticked. The four categories on the fact find form were listed as cautious, then two for balanced followed by speculative. So, I think, by choosing the lower number for balanced from those listed, Mrs P was demonstrating a more cautious attitude.

The adviser from Zurich recommended the MIP – a managed investment fund. I have seen the fact sheet that has been provided by Zurich. This is not from the time the fund was recommended but from a few months later in September 1998. Zurich says it couldn't obtain a fact sheet from the time of the meeting but that this is the closest to then that it could find. I think that this fact sheet gives me the best idea as to what the fund was invested in at the time of the meeting.

I can see from the fact sheet that the fund was primarily invested in equities from the UK and overseas with 75% of funds put into this asset class. 25% was then allocated to cash, bonds and properties. I am not persuaded on seeing this, that this fairly matches Mrs P's risk attitude as demonstrated in the fact find. As I have already described, Mrs P ticked the box next to 'two' out of four that is on the cautious side of balanced. Based on what is provided on the fact sheet, I don't think the fund recommended by Zurich matches that.

I also haven't seen anything within the documentation from Zurich where it has clarified Mrs P's attitude to risk and how it has matched its recommendation to that rating, other than what has been completed on the fact find. I can take no assurance with what I have seen that the adviser picked the fund based on what they felt Mrs P's attitude to risk was at that time.

In addition, I also think Zurich ought to have considered Mrs P's capacity to the risk she took on by investing in this savings plan. Mrs P had no previous experience of investing in anything other than putting money into a savings account. She did have some disposable income and the amount she was committing to was, I think, affordable for her, but she had limited savings and I am not sure that she would have had the capacity to absorb any losses, that may have come from taking on more risk. So, although I do think the savings plan was affordable for Mrs P, I don't think she had the capacity to take on the risk associated with the managed fund recommended by Zurich.

Taking everything into account, I don't think the fund that was recommended by Zurich was suitable for Mrs P. This is because, on balance, I think the fund was not fairly matched with Mrs P's attitude towards risk. In addition, I don't think Mrs P had the capacity that would make this savings plan a suitable recommendation either, for the reasons I have already given.

So, with that in mind, Zurich need to put things right."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mrs P responded and was in agreement with my findings in the provisional decision. Zurich responded and did not agree. It said my rationale for rejecting the investment as a suitable fund should not be compared against the standards of today, but as it was in 1997. It also said for clarity, that the investment was not a managed fund, as I had described it, but was a qualifying unit linked combined life assurance and savings plan.

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 acknowledge Zurich's points made within its submission and response to my provisional decision. I can assure it that I took into consideration what the standards were at the time Zurich recommended the investment to Mrs P and that formed part of my rationale for upholding her complaint, for the reasons I have already given. I have also noted Zurich's point regarding its view on the fund and it being, as it has stated, a qualifying unit linked combined life assurance and savings plan.

After reading both parties submissions, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I uphold Mrs P's complaint.

Putting things right

To compensate Mrs P fairly, Zurich must:

- Compare the performance of Mrs P's investment with that of the benchmark shown below and pay the difference between the *fair value* and the *actual value* of the investment. If the *actual value* is greater than the *fair value*, no compensation is payable.
- Zurich should pay interest as set out below.

Income tax may be payable on any interest awarded.

Actual value

This means the actual amount paid from the investment at the end date.

Fair value

This is what the investment would have been worth at the end date had it produced a

Portfolio Name	Status	Benchmark	From	To	Additional Interest
Maximum Investment Plan – Managed Fund	No longer exists	For half the investment: FTSE UK private investors income total return index; for the other half: average rare from fixed rate bonds	Date of Investment	Date fund ceased to be held	8% simple per year on any loss from end date to the date of settlement

return using the benchmark.

Any withdrawal from the Maximum Investment Plan should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on.

Why is this remedy suitable?

I have chosen this method of compensation because:

- Mrs P told Zurich she wanted a balanced approach to investing but chose the more cautious option within this approach. So, I think she wanted capital growth but with only a small risk to her capital.

- The 50 / 50 split between FTSE UK private investors income total return index and the average rare from fixed rate bonds, I think achieves that aim.

- The redress I have proposed would reasonably put Mrs A into a position she would have been in if the adviser had recommended to her a more cautious investment. I consider this a reasonable compromise that broadly reflects the sort of return Mrs P could have obtained from investments suited to her objective and risk attitude.

My final decision

My final decision is that I uphold Mrs P’s complaint about Zurich Assurance Ltd and it now needs to put things right as I have described above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs P to accept or reject my decision before 16 December 2022.

Mark Richardson
Ombudsman