DRN-4201407

The complaint

Mr S complains that Barclays Bank UK PLC gave him unsuitable investment advice. He says he was recommended to invest £100,000 in a medium risk investment and he should have only invested £50,000 in a low-risk investment or account.

The complaint is brought on his behalf by a third party. For ease, I'll refer to everything as if it's been said by Mr S.

What happened

In March 1990, Mr S sought advice from Barclays. He'd received £151,000 in winnings and wanted investment advice. He'd not invested before.

Barclays recommended he invested £100,000 in a Barclays' portfolio, split equally between fixed interest and various equity-based unit trusts.

Following his complaint, Barclays said it would have been more appropriate for Mr S to have invested £75,000, rather than the £100,000 it recommended, to leave him with a larger cash reserve. It calculated the position Mr S would have been in had the £25,000 performed in line with the Bank of England base rate, rather than being invested in the portfolio. It offered to pay Mr S £5,772.06 plus 8% interest. And it paid him £250 compensation for the time it took to reply to his complaint.

Our investigator recommended that the complaint should be upheld. She didn't think Barclays had provided suitable investment advice and that it should provide compensation on the whole amount Mr S invested. She didn't think Mr S wanted to take any risk with his capital and that it was fair to use the average rate for fixed rate bonds as the benchmark comparison.

Barclays didn't agree. It said, in summary, that:

- Mr S had a considerable level of earnings and his planned expenditure, including a possible mortgage, were discussed at length.

- The investigator's proposed redress reflects that, if he'd been given suitable advice Mr S would have kept his money on deposit. But the meeting notes from a meeting in 1993 shows he wouldn't have done this.

- Recommending a low-risk portfolio to a first-time investor, including some equities, would have been appropriate if the cash reserve was increased.

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.

This complaint is about advice given more than 30 years ago. It's not surprising that, because of the passage of time, there are limited records available. Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

When Barclays investigated the complaint, it concluded that it had advised Mr S to invest too much and hadn't left him with a large enough cash reserve. I agree. But I don't agree that it follows that, had Barclays given suitable advice, Mr S would have invested £75,000 in the portfolio. I say this because:

I'm not persuaded that a detailed discussion about Mr S's income and outgoings and planned capital expenditure took place, even taking into account that Barclays' records may not be complete because of the time that's passed.

It seems that Mr S's priority was to purchase his council house. Whilst he still hadn't purchased the house when he met the bank again in 1993, it's possible that's because he hadn't been given the advice and help he needed in 1990. I can see that in 1993 Barclays suggested a repayment mortgage would likely be his best option and that this should be explored further. But in 1990, despite Barclays saying that this was discussed at length, there's no evidence that a discussion about the alternative means of buying his home was discussed, or that he was given information about how to find out more about that.

Mr S said he wanted his investment to generate enough income to meet his expected monthly mortgage payments. But, as noted above, a detailed discussion most likely didn't take place. This means that the figures Barclays relied on – for the value of the house, the amount it would cost him to buy it, the amount of mortgage he would require, and the monthly mortgage payments – were all estimates. I can't conclude that enough money was set aside to cover the anticipated house purchase, or that the investment would meet his income need, when the exact commitment wasn't known.

Barclays recommended a low-risk portfolio. 50% was invested in fixed interest securities and 50% was invested in a range of unit trusts. Mr S was a first-time investor and, whilst that didn't mean it wasn't suitable to recommend an investment with some risk, I would expect Barclays to make sure Mr S understood the risks involved. There's nothing to show how Mr S's attitude to risk was assessed so it's difficult to conclude that the portfolio was suitable for his risk appetite. And his actions around five to six months later support that he didn't understand the risks involved. He wasn't happy that the unit trusts had lost value and Barclays noted that, "*It was quite clear that [Mr S] no longer wished to remain in an equity-based investment*". Had his attitude to risk been discussed in the required level of detail in 1990, I think it's more likely than not that it would have been clear at that stage that equities weren't suitable for him.

For these reasons, I think it's fair that Barclays calculates compensation on the total sum invested (£100,000). I agree with our investigator that the average rate from fixed rate bonds is the most appropriate measure for calculating the compensation. This doesn't necessarily mean I think Mr S would have kept his money on deposit if he'd been given suitable advice, but I'm satisfied it's a fair measure in the circumstances.

Putting things right

Fair compensation

In assessing what would be fair compensation, I consider that my aim should be to put Mr S as close to the position he would probably now be in if he had not been given unsuitable advice.

I take the view that Mr S would have invested differently. It is not possible to say *precisely* what he would have done differently. But I am satisfied that what I have set out below is fair and reasonable given Mr S's circumstances and objectives when he invested.

What must Barclays do?

To compensate Mr S fairly, Barclays must:

- Compare the performance of Mr S's investment with that of the benchmark shown below and pay the difference between the *fair value* and the *actual value* of the investments. If the *actual value* is greater than the *fair value*, no compensation is payable.

- Barclays should also add any interest set out below to the compensation payable.

Income tax may be payable on any interest awarded.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
portfolio	No longer in force	Average rate from fixed rate bonds	Date of investment	Date ceased to be held	8% simple per year on any loss from the end date to the date of settlement *

* HM Revenue & Customs requires Barclays to take off tax from this interest. Barclays must give Mr S a certificate showing how much tax it's taken off if he asks for one.

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 return using the benchmark.

To arrive at the *fair value* when using the fixed rate bonds as the benchmark, Barclays should use the monthly average rate for one-year fixed-rate bonds as published by the Bank of England. The rate for each month is that shown as at the end of the previous month. Those rates should be applied to the investment on an annually compounded basis.

Any additional sum paid into the investment should be added to the *fair value* calculation from the point in time when it was actually paid in.

Any withdrawal from the Barclays 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. If there is a large number of regular payments, to keep calculations simpler, I'll accept if Barclays totals all those payments and deducts that figure at the end to determine the fair value instead of deducting periodically.

Why is this remedy suitable?

I have decided on this method of compensation because:

- Mr S wanted to achieve a reasonable return without risking any of his capital.
- The average rate for the fixed rate bonds would be a fair measure given Mr S's circumstances and objectives. It does not mean that Mr S would have invested only in a fixed rate bond. It is the sort of investment return a consumer could have obtained with little risk to their capital.

My final decision

I uphold the complaint. My decision is that Barclays Bank UK PLC should pay the amount calculated as set out above.

Barclays Bank UK PLC should provide details of its calculation to Mr S in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 July 2023.

Elizabeth Dawes
Ombudsman