The complaint

Mrs U complains that Skipton Building Society gave her unsuitable investment advice.

What happened

Mrs U received investment advice from Skipton in February 2022. She was looking to invest some of the funds she had on deposit in order to try and achieve a better return. She was assessed as having a risk level of four and was advised to invest £500,000 in a portfolio of 15 different funds.

She complained to Skipton in October 2022 as she was unhappy that her portfolio had lost c.£63,000 in six months. She explained that she was vulnerable at the time she received the advice and the advisor had used that to his advantage. She'd wanted to buy a house, but the advisor had talked her out of that course of action. She'd simply wanted to protect her funds against inflation and didn't have any investment experience, but the advisor had exposed her to too much risk.

Skipton looked into her concerns but didn't uphold the complaint. They thought their advisor hadn't taken advantage of her, and had waited a reasonable amount of time after the bereavements she'd unfortunately suffered before giving her any advice. They were of the opinion that the advice was suitable for her circumstances at the time and hadn't exposed her to too much risk.

Mrs U didn't agree and asked for our help. The complaint was considered by one of investigators who didn't uphold it. The investigator thought Skipton had correctly assessed Mrs U's attitude to risk (ATR) and the advice they'd given her was suitable for her circumstances at the time. She accepted that Mrs U's investments had lost value soon after being taken out, but didn't think that was due to negligence on Skipton's part.

Mrs U didn't accept the investigator's findings and made the following points, in summary:

- She was vulnerable at the time of the advice as she'd lost her husband and sister a couple of years before
- She would never take any risk and if the advisor had made her aware there would be any losses, then she would have walked out of the meeting
- She didn't have any investment experience. She held investments but they were taken out by her late husband in her name
- She'd simply wanted to protect her funds against inflation and had initially wanted to buy a house, but the advisor had talked her out of doing that
- The advisor had told her to ignore letters she'd received about the investment and had misled her

The investigator wasn't persuaded to change her opinion so the complaint has been passed to me to make a 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.

Having done so, I don’t think this complaint should be upheld and I will go on to explain why. But I’d like to let Mrs U know that I’m very sorry to hear of the challenging circumstances she’s faced over the last few years. I’d like to assure her I’ve carefully considered her testimony and submissions before making my decision.

I’ve firstly considered Mrs U’s circumstances at the time she received the advice from Skipton. I appreciate she’s said she was vulnerable at the time, and I don’t dispute her comments. I’ve considered is if it was inappropriate for Skipton to have given her advice at this point, taking into account the regulator’s guidance on the fair treatment of vulnerable consumers.

When she received the advice, it had been around 18 months since the unfortunate passing of her husband and sister. The advisor’s recollections are that he first spoke to Mrs U in late 2019. However, at the time not he didn’t give any advice as she was still grieving and wasn’t in a position to discuss finances. He told her to come back when the estate had been finalised and she’d had time to grieve.

Her local branch then asked him to contact her again in July 2020 as she had a query about interest rates, but again, he didn’t think it was appropriate to give her any advice at that time. He said Mrs U then booked an appointment through her branch to see him in January 2022 as she was ready to receive advice. Upon meeting with Mrs U, he asked her if she wanted a friend or family present, but she declined. Mrs U hasn’t disputed this and has explained that there was no-one that she could bring with her.

Taking all this into account, I don’t think I can fairly say that the advisor took advantage of Mrs U’s vulnerability. He didn’t give her any advice during their initial conversations and waited until she felt she was ready to receive advice before giving any formal recommendations. He also gave her the opportunity to be accompanied which she declined. I’m not sure if there was much else he could have could have done at the time, so I’m not persuaded he’s acted unfairly in respect to this aspect of the complaint.

I’ve then gone on to consider the recommendation that he made to Mrs U, and I’ve thought about her needs at the time. She’s said that she wanted to protect her funds against inflation and the suitability letter issued by the advisor lists her objective as wanting to improve the returns on her deposit accounts.

She was in her late sixties, retired with no dependents, owned her own property outright and had no liabilities. She had around £1,000,000 in assets excluding property, the majority was in cash-based savings with around £84,000 in investments. She was receiving income from her pensions and had monthly disposable income of around £230.

She was assessed as having a risk level of four out of a maximum of seven. This was defined as *“These investors have an attitude to risk in the middle 50% of the investing population and are neither very risk averse nor inclined actively to seek riskier investments. They often have some experience and understanding of investments. They can usually make investment decisions without too much hesitation or anxiety. They may find more comfort in bank accounts and lower risk investments than stocks, shares and investment funds, but understand that investment risk may be required to meet their investment goals.”*

Mrs U has made the point that she didn't have any investment experience as all her previous investment holdings were put in place by her late husband. I don't dispute her testimony, but I must also balance this with the responses to the risk questions she was asked by the advisor. For example, the fact find recorded that she agreed to the following statements:

- I feel comfortable about investing in the stockmarket
- I generally look for safer investments, even if that means lower returns
- Usually it takes me a long time to make up my mind on investment decisions
- I'm willing to take substantial investment risk to earn substantial returns.
- I tend to be anxious about the investment decisions I've made

And the suitability letter which she signed, said that the advisor had a discussion with her around her investment experience. It said:

"We also reviewed your responses to the questionnaire whereby you answered a number 'agree' when discussing caution and 'disagree' when discussing high levels of risk.

We discussed this at length and over your period of investment experience you have invested in a number of profiles and have experienced the movements in capital values, fluctuations and general behaviour of asset backed investments. You say that before his passing your husband was a keen investor to asset backed holdings and you also saw the behaviours of investing through his portfolio.

You said that you generally look for safer investments even if that means lower returns and also agreed that you see the word risk with the idea of opportunity. This was followed that you disagreed that you prefer bank deposits to riskier investments and disagreed that you are willing to take substantial risk to achieve higher return and also you would not take a higher risk rather than having to save more.

When we discussed these responses and the reasons you answered the questions in this way you stipulated to me that you recognise the inflationary impact of holding too much capital on deposits and with the increased pressure on inflation currently being experienced in the UK do not wish for these funds to be reliant on them. This is why you see asset backed risk based investments as an opportunity to counter this through investment to higher risk areas however whilst you are prepared to accept a degree of risk you do not wish to invest aggressively and seek investment within a more balanced approach.

You also stated that you have little or no experience of asset backed investments and said this was reflective of the fact that you do not make decisions by yourself and engage the advice of a professional when considering investment.

You also agreed that you are not comfortable with the up and downs of stockmarket investments and said you answered this relating to all your funds being invested in this area.

In summary you are not risk averse and accept these behaviours when investing in this area and recognise the longer-term benefits of this approach through increased potential returns. You say that any risk should be appropriate and that you are comfortable with this if the overall approach is balanced with a weighting of funds on deposits."

Based on what I've seen, I don't think Mrs U had a significant amount of investment experience, but I do think she had some awareness of risk and the markets. Given that her objective was to essentially to generate enough of a return to mitigate the effects of inflation, I don't think it was unreasonable for the advisor to have recommended that she take a degree of risk with some of her capital. I appreciate what Mrs U has said about wanting to buy a house but being advised against this course of action, but I don't think this means that any alternative course of action would have been inappropriate.

The question I must consider is whether or not the degree of risk the advisor exposed her to was unsuitable. His recommendation was that she should invest £500,000 in a portfolio of 15 different funds. The portfolio had an asset split of around 40% bonds, 54% equities, 4% property and 2% other investments.

After making the investment she had c.£445,000 left on deposit. When you take into account that she had no liabilities and a surplus of income over expenditure each month, I don't think too much of her capital was exposed to risk. I think she was in a position where she had a reasonable capacity for loss, and needed to take some risk in order to meet her objective. She was left with a substantial cash reserve and the recommended investments were well diversified and provided her with the opportunity to meet her goals. The documentation she was provided with at the time shows that there was a discussion around risk levels, potential for loss and the impact of market volatility.

Taking everything into account, I don't think the recommendation was unsuitable. It is evident that the timing of the investment was unfortunate, but the advisor's recommendation was that the investments should be held for the longer term to allow for the growth that was required. I appreciate Mrs U will be disappointed with the outcome I've reached, but I hope she can understand why I've reached this conclusion.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs U to accept or reject my decision before 3 January 2025.

Marc Purnell
Ombudsman