

The complaint

Mr H has complained that he thought Santander UK Plc ('Santander') was looking after his investment on his behalf. But he thinks that this has not happened as the investment lost a lot of money. He would like Santander to return the money that he has lost.

What happened

Mr H was advised to start an investment in March 2010 with Santander. He invested £100,000 in the Santander Stirling Corporate Bond Fund. He made withdrawals of £29,000 in total over the life of the investment. These were made using a mixture of regular payments and some larger lump sums. It had a value of £79,124.68 in November 2018.

It's not clear if a fact-finding process took place at the time of sale, but I understand the sum Mr H invested originated from a compensation payment. He says he didn't want to take very much risk and was told the fund had the lowest risk there was. Mr H says he wanted this investment to provide an income to support his pension and it did this for eleven years. He says he wasn't aware of how investments worked.

In October 2021, Santander wrote to all of the investors in the fund saying that it was increasing the risk category of it from 'lower' to 'lower medium'. It changed the name of the fund at this point as well. It provided some information about the investment including where, and how, it invested. This was 96% in UK corporate bonds. It explained that whilst the fund was the same, the outlook for bond funds had become riskier due to external factors. The annual management charge was also decreased.

Mr H says that the fund lost a significant amount of money following the change in its risk rating, he estimates this to be around £18,000. Mr H was sent a fact sheet in June 2022 which explained why bond funds had provided poor returns in recent years. And in September 2022, Mr H contacted Santander saying that he was aware of the fall in value of the investment, and he made his complaint at this point.

In October 2022 the investment was transferred to a cash Individual Savings Account ('ISA') and a stocks and shares ISA. He invested £43,000 in the stocks and shares part of the ISA which used the Max 30% Shares Income Portfolio, which was a lower risk investment. The remainder, which I understand to be around £29,000, was held in cash-based investments.

Santander has considered Mr H's complaint and it has not upheld it. It didn't think that the complaint was within the jurisdiction of the Financial Ombudsman Service as Mr H should have been aware he could complain when a loss was suffered. It also said that:

- The fund had been managed properly and within its benchmarks.
- It explained that economic factors (such as the pandemic and the war in Ukraine) had led to a period of poor performance. The fund had a significant bond element which was affected by these factors.
- Santander's investment hub was 'execution only' so it could not freeze Mr H's investments or take any action with them.

- Mr H has been given reasonable information about the fund and the services Santander provides.

Mr H didn't agree, and he bought his complaint to the Financial Ombudsman Service.

One of our Investigator's considered the jurisdiction issues that Santander had raised and she thought the complaint wasn't made too late. Santander has now agreed that the complaint is within the jurisdiction of the Financial Ombudsman Service.

One of our Investigators then considered the merits of Mr H's complaint and thought that it should be upheld. They thought that Santander should have warned Mr H in 2021, when the fund composition was changed, that it no longer would be suitable for him and that Mr H should consider taking financial advice. As it did not do this, they thought Santander should pay compensation.

Santander didn't agree with this, and the complaint was reconsidered. Another of our Investigators went on to say that it should not be upheld. Our Investigator thought that Mr H had been given clear information about the change in the funds risk rating. And Santander had invited Mr H to contact it if this raised concerns. Santander had provided information throughout the life of the bond about it. Mr H had seemed satisfied with the investment other than this recent period of poor performance.

Mr H didn't agree with what our Investigator said. He said that he didn't recall seeing all of the October 2021 mailing. So, he didn't think he was fully informed and noted that the previous Investigator had upheld his complaint on this basis. He had not used the online 'investment hub' but had gone into his local Santander branch and received investment statements this way.

As no agreement has been reached the complaint has been passed to me to issue my 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.

Mr H has not directly complained that the investment was unsuitable for him in 2010. There isn't any documentation from the point of advice, but there is no indication that Mr H thinks the investment wasn't right for him until later when it 'changed'. So, I've no indication that Mr H thought that the product didn't meet his needs in 2010. Because of all these factors I've not looked into whether the advice to start the bond was suitable for him.

The crux of Mr H's complaint is that he thinks the investment would be managed by Santander on his behalf. So, it would make investment decisions for him, and it would get in touch if anything changed or needed to be decided. As this did not happen, and the fund was changed, he thinks Santander has not met his expectations or needs.

Mr H invested in a fund that was managed by Santander. The fund invests Mr H's money and has made decisions about this to increase the return. It's done this on behalf of all the investors in the fund, rather than Mr H himself.

Mr H doesn't have a relationship with Santander where it would specifically invest in line with his own personal circumstances. These kind of relationships and services do exist, and Investment managers can personally manage portfolios. But they are usually paid by a fee

and tend to be put in place for experienced investors with large portfolios. I've seen no evidence that Santander said it would provide this kind of service to him.

I don't think I can reasonably say that Santander has mismanaged the Corporate Bond Fund or acted outside the terms of it. Whilst the fund has fallen in value at times this is not unusual and is one of the inherent risks of this type of investment. This doesn't mean that it has been poorly run or that Santander has done anything wrong.

So, I don't think it would be fair to say that Santander should have managed Mr H's investment differently.

Mr H doesn't think that he has been given enough information about the fund. He has raised particular concerns about the change in its risk rating in 2021. He says that if he had been given better information then he could have mitigated some of the losses he suffered.

Santander has provided regular information about the investment. Mr H had access to an online system, but he said he would visit a branch and obtain information this way. I think it's fair to say the general information he received about the fund was reasonable and met his needs.

I've thought about the communication in 2021 which was about the change in the risk rating of the fund. It's worth being clear that the fund didn't materially change at this time. As far as I can see, and Santander has said, that it remained invested in the same assets.

This communication essentially said that, due to wider external factors, the sector that the fund invested in, that is corporate bonds, may be subject to some increasing volatility. And so his investment could have a higher risk going forward.

I think it was right to inform investors such as Mr H about this. This type of fund is often used by lower risk investors, such as Mr H. But over time investments and investment sectors can change due to wider and external factors. This may have led to the investment not being what Mr H wanted going forward. So, it was right that he was given an opportunity to act, or get advice, if this was the case. I think the information he provided was reasonable and informed him that he may need to consider if he needed to change this investment going forward and to seek advice.

I can see Mr H says that he may not have received all of the communications sent at this time, but he does acknowledge that he received some of them. He did receive the letter I've referred to. And I think this would be enough to inform him that he may need to seek further information, or get advice, if necessary.

Mr H has primarily complained about the performance of the investment. As our Investigator said we can't usually uphold a complaint on the basis that it hasn't performed well. This is because investment performance can be affected by events that are outside of the businesses control. And it's clear that this is what happened here, and in fact Santander did write to Mr H to inform him that the performance may not be what he wanted going forward.

So overall I don't think Santander has done anything wrong here. I've not seen any indication that the funds have been managed improperly. And Mr H has not said they were unsuitable at the time of sale. I also think the information that Mr H was provided about them over time was reasonable.

Because of all of these factors I'm not upholding Mr H's complaint.

My final decision

For the reasons set out above, I don't uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 26 June 2024.

Andy Burlinson
Ombudsman