DRN-4804015

The complaint

Mr L complains about the investment advice he has received from Santander UK PLC ('Santander'). He says that the recommendation to invest in an Individual Savings Account ('ISA') was unsuitable for him and he felt pressured into following its advice. He also complains that Santander delayed the transfer of his ISA.

He would like the value of his ISA restored and all the fees and charges he paid refunded. And suitable compensation for the distress and inconvenience he has suffered.

What happened

Mr and Mrs L were both given advice at the same time, and they have complained together. I'll include some of Mrs L's details here because of this. Broadly speaking the complaints about the suitability of the investments concerns the joint advice they were given, but the complaints about the delay in the transfer of the investments are separate. I've issued separate decisions about Mr and Mrs L's complaints, but the parts of the decisions about the advice are identical.

Mr and Mrs L have also complained about a money transfer and some problems with one of their credit cards. I'm not looking at these issues here.

Mr and Mrs L met with an adviser from Santander in July 2022. As part of this meeting a document known as a fact find was completed. This recorded their circumstances at the time. This point-of-sale documentation, and other information I have received, showed that:

- Mr L was 73 and Mrs L was 71, they were both retired with no dependents.
- Mr L had pension income of around £48,000 a year, Mrs L was in receipt of pension income of £7,500 a year. They had a significant amount of disposable income each month.
- Mr L had total savings of around £350,000 and Mrs L had savings of around £700,000. All of these were held in cash or deposit-based areas.

Mr L was recorded as having a low attitude to risk and Mrs L was recorded as having a low to medium attitude to risk. They both say they had very little investment experience. But they were comfortable with taking a small risk and were aware the investments were in areas that could change in value. Their joint attitude to risk was recorded as being 'lower'.

Mr and Mrs L wanted to keep £615,000 for planned expenditure, £330,000 as a cash reserve and £20,000 for emergencies. They initially wanted to invest £180,000 for long term growth over a ten-year period.

The advice was first presented to them on 12 August 2022 and a further meeting took place on 18 August 2022 when the amounts they wanted to invest were lowered to £150,000. A revised suitability report was produced at this time.

As a result of this advice, Mr L invested about £81,000 in a stocks and shares ISA. Mrs L invested about £51,000 into a stocks and shares ISA and £18,000 into an investment account.

All of these investments used the same investment fund which was Santander's lower risk portfolio that mainly invested in government and corporate bonds.

I understand the investments were encashed in March 2023 and they were transferred back into cash, within their ISAs where appropriate.

Mr L took steps to transfer part of his ISA on 18 May 2023. The proceeds of this were sent by cheque on 23 May 2023 but this was not received by the business he was transferring to until 7 June 2023. This relatively short delay seems to have been caused by the postal service.

Mr and Mrs L have complained about the suitability of the advice they were given and what they say was the delay in the transfer of their investments. In respect of the advice, they said that:

- Their investments began to lose money almost straight away.
- Santander should have timed the investments better to perhaps avoid, or limit, these losses.
- They didn't think the advice they were given was suitable for them and they felt pressured into agreeing with it.
- They were not told they had to be in the UK to make changes to their ISA's.

Santander has considered Mr and Mrs L's complaint about the advice they were given and not upheld it. It said the investments recommended met their lower attitude to risk. And they were given some time to consider the investments before they went ahead. Santander could not predict what the short-term market movements would be and it could not have 'timed' the investments better. These were long term investments in any event.

It did say that Mr L's ISA transfer was delayed due to a cheque being held up in the postal service. It offered £50 compensation for any trouble this had caused and some incorrect information it had provided.

Mr and Mrs L didn't agree with this and brought their complaints to the Financial Ombudsman Service.

One of our Investigators has considered Mr L's complaint (and Mrs L's at the same time) and has not upheld it. He said that:

- The advice was suitable for Mr and Mrs L and met their needs at the time. It didn't have more risk than they wanted to take, and the investments were only a modest part of the portfolio.
- Mr and Mrs L were provided with enough information about the investments at the time of sale including what the risks were.
- There was a short delay in the transfer of the ISA but this was due to the postal service. The £50 as a goodwill gesture was reasonable compensation for this.

Mr and Mrs L responded and did not agree, they said that:

- The advice didn't factor in that they wanted to spend as much time as possible abroad. This would increase their costs.

- They were uneasy about the lack of stability in the UK political environment, and this affected their attitude to risk.
- It wasn't considered that they were anticipating change over the next ten years and were used to this.
- They knew they were leaving the UK for some time and felt pressured.
- They later found out that they needed to be in the UK to make changes to the ISA's but they would not be able to do this very often.

Our Investigator didn't change their opinion about the complaint, and it has been passed to me to consider and 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.

I've firstly thought about whether the investment advice was suitable for Mr and Mrs L. As I said above this was given to them jointly and they have complained together so I've thought about both of their circumstances here.

Mr and Mrs L started products that predominantly invested in corporate and government bonds. This fund was considered suitable for lower risk investors by Santander and I agree with this. There was a very small equity content. Mr and Mrs L have said that they were familiar with bonds. They have not directly said that this fund had more risk than they wanted to take. But given that they were unhappy with the fall in value of it, I have considered if this was the case.

As I've outlined above, Mr and Mrs L did have a significant amount held in cash. And it was documented that they were prepared to make a long term, risk bearing, investment with a modest proportion of their cash. The investments they started did not have more risk than it was documented Mr and Mrs L wanted to take, as they were lower risk investments. And they formed a smaller part of their portfolio and was money that they said they would not need to access for some time. So, they could avoid surrendering it when it may have fallen in value.

Mr and Mrs L have said that there wasn't enough emphasis placed on their changing circumstances, such as them planning to spend more time abroad and possibly renting or purchasing an overseas property. And their views around the fluctuating UK political situation weren't properly considered. But the suitability report does detail that Mr and Mrs L's future plans were discussed in some detail and they had decided to retain £615,000 to meet these needs. And that they agreed to invest £150,000, which was a smaller part of their capital to meet their need for investment growth over the longer term.

So, whilst there isn't a direct reference in the suitability report to the issues Mr and Mrs L now raise it does seem reasonable to say their future plans were discussed and the investment advice was based around what they had told Santander. And if putting this amount of money in a longer-term investment was not what they wanted they could have changed this, or not proceeded.

And I think the suitability report is clear on what basis the investment advice was given. That is they had funds earmarked for certain areas, but the funds they invested were suitable for longer term investments. And this is the basis the advice was given on.

Having considered everything, I don't think the advice they were given was unsuitable and didn't meet their needs, as documented by Santander, at the time. I don't think it had more risk than they wanted to take.

Mr and Mrs L became unhappy with the performance of the Investments relatively soon after they started them. It is worth saying that these are risk bearing investments which are designed to be held over a long timeframe. This was described as ten years plus in the point-of-sale information. This is because they will fluctuate in value. But this is usual, and Santander would have no control over this. And so, it's not reasonable to uphold a complaint on the basis of these short-term fluctuations, or investment performance in general.

And related to this is the issues Mr and Mrs L have raised about when the investment was started and how this affected the value of it going forward. Mr and Mrs L essentially say that Santander should have timed the starting point better to avoid any of the losses they may have suffered.

It can be seen with the benefit of hindsight when a good time to invest would have been, but this wouldn't have been known at the time the investment started. Mr and Mrs L invested in a fund that wasn't guaranteed and would fluctuate in value in the short term. But was anticipated to provide better returns over the longer term. I don't think it's reasonable to expect that Santander would mitigate these movements in price as they are a normal function of the investment.

Mr and Mrs L have said that they felt pressure when they started the investment. I've carefully read what they have said about this. They do describe it as 'subtle' and it seems to have originated from the time constraints they felt due to their impending move overseas. I'm not clear what Santander could have done to mitigate this. There was a reasonable time for reflection between them being given advice and the products being started. And Mr and Mrs L did use this as they thought about the amount they wanted to invest and changed it. Mr and Mrs L were provided with full information about the proposed investments during this time. And there was also a cooling off period. I'm not persuaded that Santander put Mr and Mrs L under any undue pressure here.

Mr and Mrs L say they decided to cancel the investments and transfer them away as they were told that they had to be physically in the UK to make changes to them. I haven't seen any correspondence that Mr and Mrs L received about this, and ISA rules don't refer to it. So, it's not clear why this would be the case. Mr L says it was corrected later on in any event. But given that these were intended to be long term investments and Mr and Mrs L were not becoming overseas residents. I'm not persuaded they were unsuitable for this reason.

Mr L's ISA transfer was delayed a short time. But this seems to be a problem with the postal service rather than Santander. Santander has accepted that it could have communicated better around this. But I think the £50 compensation it has offered is reasonable for this.

My final decision

Santander UK Plc has already made an offer to pay £50 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that Santander UK Plc should pay £50.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L to accept or reject my decision before 28 June 2024.

Andy Burlinson
Ombudsman