

The complaint

Mr T and Mrs T (“the complainants”) were advised by Barclays Bank Plc (“Barclays”) in a £5 million Fixed Maturity Portfolio (“FMP”) investment made between 17 and 19 July 2023. They claim a financial loss based on their assertion of a mismatch between the investment returns modelling from Barclays that convinced them to invest, and the contrasting reality of returns from the investment after it was made.

Barclays upheld their complaint, whilst disagreeing with some of their arguments within it. However, it says they have not suffered a financial loss. The complainants disagree, and they seek redress for a loss of around £200,000.

What happened

The complainants mainly say –

- after discussions with their Barclays adviser they expected the prospect of a minimum *Return On Investment* (“ROI”) of £1 million or more over the relevant fixed term (between 2023 and 2027);
- the pre-investment modelling that Barclays presented assured them this would be achieved in the FMP, but its representations were fundamentally flawed;
- those representations induced them to make the investment;
- the modelling significantly and wrongly inflated the ROI prospects in the FMP;
- in fact, and based on the correct modelling/calculations, the investment could never have achieved the minimum ROI they were led to expect, and it has not done so (it is short by at least around £200,000 by modest calculations, hence their redress claim, and by more using other calculations);
- they would not have invested in the FMP if accurate modelling had conveyed this at the outset, there were alternative options available to them at the time which could have achieved the minimum ROI they expected, and which have done so (based on evidence of their performances since July 2023).

Barclays stands by the contents of its modelling and representations. It disputes the complainants’ assertion that they were fundamentally wrong. However, it considers that they should have been updated at the time the complainants made their investment decision, and that they also went further than they needed to, and unduly became too central of a consideration in terms of ROI prospects. For these reasons, it upheld the complaint.

It offered the complainants £2,000 compensation for the trouble caused to them. As a gesture of goodwill, distinct from and non-dependent on the complaint’s outcome, it also waived a year’s portfolio fees. Nevertheless, it says the complainants have not suffered a financial loss.

Further background can be summarised with regards to the complainants’ objectives.

Barclays’ 11 July 2023 advice letter confirmed that their “*Primary Goal*” was “*Wealth Preservation via capital appreciation ahead of executing long term strategy in c.4 years. Aim is to capture and exploit the present elevated yields seen even in Investment Grade bonds at*

present.”

Both sides appear to agree that – the complainants wanted to put the £5 million capital (which they did not have an immediate need for) to work in a specific way geared towards attractive returns but with risks minimised, and on a short term basis; in the medium to longer term they planned to move the capital into conventional risk based investments, mainly equities, but they considered the markets to be too volatile for their liking at the time; the plan was to do that when they felt the markets were less so; they were considering a number of options; Barclays recommended the FMP as a product that matched the minimised risk exposure they looked for (or the ‘medium-low’ risk profile agreed for the venture) but provided unique prospects of achieving significant short-term gains.

In terms of matching the complainants’ objectives with the FMP, the advice letter included the following –

“I recommend you invest £5,000,000 into our Sterling Fixed Maturity Bond portfolio.”

“You also liked it being a buy and hold strategy for simplicity, locking in yield (subject to regular monitoring in case of an unforeseen credit event and / or credit concern) and appreciated the entire portfolio maturing over 3-4 years so that it allows you to remain flexible in entering another solution in a few years time.”

“The yields are presently elevated (bonds below par pricing) and the portfolio has a duration/maturity profile of c.3.3/3.5 respectively. Risk Premium above Gilts (which are Risk Free Rate reference for GBP) is evidenced and our portfolio managers will trade accordingly based on market conditions at the point of deployment.”

There were also discussions held around the time of the advice letter, in which more was said about the complainants’ objectives for the FMP. The discussions, in this context, included confirmation that they wanted flexibility in the maturity dates for the FMP’s underlying bonds, in order to move maturity proceeds into equities over time/within the fixed term (instead of forcing sales for this purpose and doing so at possibly poor prices); and confirmation that they wanted a total of around half the investment’s value to be subject to such flexibility over intervals within the fixed term, because it was likely that they would want to move those values into equities at those intervals/before the end of the fixed term.

One of our investigators looked into the complaint and concluded it should be upheld. He also found that there is potential for a financial loss for Barclays to address.

In short, the investigator found that there was a problem in the ROI modelling presented to the complainants, that because of the nature of the investments (bonds) they wanted to know the ROI for the recommended FMP before proceeding with it, that the flaws in the modelling resulting in errors in the ROI presented to them, and that had the correct ROI been presented they would have probably declined the recommendation. With regards to the modelling flaws, the investigator quoted the following statement from the Barclays adviser in one of the post-investment telephone conversations held between the parties –

“... there’s no point in beating around the bush, the maturity I’ve done you was never... in hindsight it was nonsense, it was too simplified. Not in the sense of, there was nothing untoward, it was just, what I should have done, I should have used the blended price as of 31st May and the maturity there would have come out a bit lower, your pull to par is a bit higher. So, on the overall I return the thing that is skewing the numbers is assuming a price of 84, it is substantial”

Similar to the point Barclays has conceded, as mentioned above, the investigator concluded

that the adviser made the ROI modelling (and the presentation of specific expected returns within it) too central a basis for the recommendation and for the complainants' decision to invest, as opposed to delivering the recommendation mainly on the basis of the strategy and opportunity within the FMP. He did not find anything wrong with the suitability of the FMP as a product. However, he concluded that because the complainants were clearly driven by the ROI they wanted, and Barclays knew this, they would not have invested in it if they knew it would not deliver the ROI they wanted. Therefore, he said, Barclays failed to put them in an informed position for their decision.

The investigator then considered compensation. He made no finding on Barclays' offer to waive fees because he considered that a gesture of goodwill that has been made explicitly on the basis that it is detached from the complaint. However, he agreed with Barclays' £2,000 offer for the trouble and upset caused to the complainants.

With regards to redress for financial loss, he considered that a benchmark comparison based exercise should be used to look into how the complainants' investment, which still exists, has performed to the date of settlement, and then how it would have performed using the FTSE UK Private Investors Income Total Return Index as a benchmark. He found the use of this benchmark suitable because he believed the complainants were only interested in the FMP because of the unique opportunity sold within it, and because of the modelling of returns from it, otherwise they were unlikely to be keen on corporate bonds specifically. Given their investment experience and risk profile, he said they were likely to have made a choice leaning towards equities.

At present, the complaint mainly relates to resolving fair and reasonable redress. As I said above, Barclays upheld the complaint. It also appears to agree with our upholding of the complaint. Initially, both sides disagreed with the investigator's benchmark selection, for calculating financial loss. However, the complainants reconsidered, and they now agree with the FTSE UK Private Investors Income Total Return Index benchmark.

Barclays disagrees with the use of this benchmark.

It mainly says – there has been no finding that the FMP was unsuitable, in principle, for the complainants, and their complaint has never been about suitability in that respect; so the benchmark for calculating redress could be one that is comparable to the FMP; there is evidence that the complainants' objectives at the time of advice was captured within the fixed interest/bonds based nature of the FMP; so it is wrong to say they would have been open to alternative investments in equities; indeed, they actively sought to avoid exposure to equities due to instability in the markets at the time; more than 70% of the FTSE UK Private Investors Income Total Return Index's performance is derived from equities, this mismatches the complainants' bonds based investor profile at the time of advice; instead, the Fixed Rates Bonds Index would be the appropriate benchmark to use; it has calculated redress on this benchmark, and there is no loss to the complainants; in contrast, by using the FTSE UK Private Investors Income Total Return Index benchmark any resulting redress award will put the complainants in a position of betterment, which will be unfair.

The matter was referred to an Ombudsman.

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 uphold the complainants' complaint for broadly the same reasons given by the investigator. Those reasons have been summarised above, and both sides will be familiar with the

detailed view the investigator sent them.

I have reached this conclusion from my own consideration of the facts and evidence in the complaint. I can understand the reasons why Barclays asserts that the FMP recommendation, in itself, was not unsuitable for the complainants, and the reasons why it stands by the contents of its adviser's ROI modelling.

However, the complainants' minimum ROI expectation was a prominent part of their overall investor profile, and of the objectives within that profile, especially once this expectation crystallised following discussions with and modelling from the adviser. The outcome of Barclays' modelling exercise directly induced their acceptance of the recommendation, and their investment in the FMP. There is evidence (including telephone conversation recordings) that supports this.

The modelling exercise led them to believe the ROI expectation will be achieved, but it was wrong. I have considered the different calculations relevant to this matter and, with or without discounting some non-contentious or less contentious aspects (for example, market movement on the underlying bond prices between the points of advice and investment), the modelling was overstated by somewhere between £200,000 and around £400,000. The modelling had shown an ROI of approximately between £1 million and £1.1 million on the £5 million investment, so, but for the overstatement, the correct modelling would have shown an ROI between £200,000 and around £400,000 less, which would have been significantly below the complainants' objective and expectation.

The FMP recommendation was made in tandem with the ROI modelling, so, overall, the advice Barclays gave the complainants on their £5 million investment was unsuitable for them. It did not meet one of the most important aspects of their objectives (the minimum ROI expectation). I do not consider that they would have invested in the FMP if they knew this at the time. They did not have to. They had alternatives they were considering, as I mention further below. It is evident from the pre-investment telephone conversations between the parties that the specifics of ROI prospects were a deal maker or breaker for the complainants, so I am satisfied that they would probably have walked away from the FMP recommendation if they were told it could and/or would not meet their minimum ROI expectation.

The facts about the contents of the modelling, Barclays' view that they do not necessarily amount to errors, and the complainants' opposing views (including the reasons why they say errors were committed) have been extensively rehearsed between the parties. They have also been looked into by the investigator. I do not consider there is any meaningful added value in me going into these matters. Aside from any debate about whether (or not) there were errors in the contents of the modelling, the salient points are that the outcome was wrong because it overstated the ROI, comments directly from the adviser (as quoted above) appear to concede this, and the results were/are as summarised above.

I now turn to the issues related to putting things right.

I echo the investigator's view on the portfolio fees waiver offered by Barclays. It has been presented as a gesture of goodwill between the parties separate from the complaint. I do not find a need to be involved in this gesture, and it does not relate to the complaint, so I make no finding on it.

Our service can make awards to complainants for the trouble, distress and inconvenience they faced (and/or are likely to continue facing) in the complaint matter. Guidance on how we approach the awards is in our website, at the following link – <https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding->

compensation/compensation-for-distress-or-inconvenience. Under this guidance, the following can be found –

“An award of over £1,500 and up to around £5,000 is appropriate where the mistakes cause sustained distress, potentially affecting someone’s health, or severe disruption to daily life typically lasting more than a year. A mistake that has an extremely serious short-term impact could also warrant this level of compensation, but usually you’d expect some ongoing or lasting effects.

Examples at the higher end could include where the effects of the mistake are irreversible or have a lasting impact on someone’s health or even resulted in a personal injury.”

Barclays’ £2,000 offer sits within the above range.

It is evident from the facts that some of the criteria quoted above apply to the complainants, whilst some do not. There is no evidence of damage to health/personal injury in their case. The capital invested stood as money they did not have an immediate need for, so there is no part of their case that depicts an impact on their daily life. Plus, it should be noted that these awards are for considerations unrelated to financial loss (which is separately addressed).

However, I have seen enough to be persuaded that there was a profoundly adverse effect on the complainants shortly after the investment, when the post investment modelling was done and it showed that the outcome of the pre-investment modelling was flawed. The considerations that led them to concluding that Barclays’ recommendation was wrong for them, and that they would not have followed it but for the erroneous pre-investment modelling outcome, quickly followed. The trouble and distress that arose from this has existed since then and has been sustained to date, whilst they have engaged with Barclays and tried to resolve the matter.

It goes without saying that their £5 million stake is a very significant amount. Short of straying into the territory of considering financial loss, the impact in this respect is that, in broad terms, they have had to continue their commitment of this stake to the FMP since they discovered the problem in 2023 and will likely do so until the end date of its fixed term (in or around 2027). This is a lengthy commitment that they would have avoided, but for the unsuitable advice. Could they have mitigated this commitment by selling the underlying bond holdings early? Possibly. However, I am mindful of the incentive they might have to reach par prices at maturity – as opposed to selling the bonds earlier at possibly lower prices – in order to, at least, achieve the most capital growth possible from the arrangement.

For all the above reasons, I agree with Barclays’ offer of £2,000 for the trouble, distress and inconvenience caused to the complainant. For the same reasons, I consider that the offer is set at an appropriate point within the range mentioned above.

The last matter to address is the complainants’ financial loss (including the dispute over the redress benchmark).

I understand Barclays’ position on this. In another upheld case, depending on the circumstances, evidence that a complainant wanted a suitable bond investment might be enough to lead to consideration, for redress, of the Fixed Rates Bonds Index it has referred to. However, these are not the circumstances in the present case.

A distinction should be drawn between, in one hand, the notion that the complainants instructed, and/or looked for, advice on a bonds or fixed interest based investment, and, in the other, the FMP being Barclays’ recommended bespoke solution to their quite specific collection of objectives. I find that it is the latter, alone, that applies. They did not seek a

simple or generic bonds or fixed interest based investment. Their pursuit was more sophisticated.

There is enough evidence to show that their desired destination for the £5 million capital was probably equities, but they decided that – in the short term, they would prefer to refrain from entering that market(s) because they viewed it too volatile at the time; they would wait for a better entry point; in the meantime they wanted the capital to work in a product with prospects of significant returns; and they wanted flexibility in that product to switch to the equities at any time during the short term horizon. Then, in the scope of discussions about the FMP and as an indication of the type of returns they wanted, their minimum ROI expectation appears to have emerged.

The FMP was considered a unique opportunity by the adviser – there is telephone recording evidence in which he referred to it as such. The underlying bonds were priced below par (maturity value), so there were essentially in-built capital gains within them if held to maturity. This did not avoid issuer default risk, but so long as that risk did not become a reality (with the same applying to the other risks Barclays noted in its advice letter) and so long as the bonds were held to maturity those gains were close to being guaranteed. The levels of discounts in their prices were significant enough to make those gains quite attractive.

As presented to the complainants, the Yields to Maturity and Yields to Worst – depicting, in broad terms, the returns that could be expected at maturity and the worst case scenario for returns before maturity – in addition to the bonds' prospective pulls to par (in this case, the increasing of their prices, over time, towards par price at maturity, because of the initial purchase discount) all combined – in addition to the points above – to present the FMP as something that behaved like a bond investment (in terms of minimising risks) but also provided a significantly attractive level of ROI. All of this, and especially the modelling they relied on, appears to have been what sold the idea to the complainants – as opposed to the FMP being sold to them because they simply wanted to invest in bonds.

I consider that if all the aforementioned elements did not exist in the FMP recommendation they received, they would have looked elsewhere for a solution to the capital they wanted to invest. An indication that the complainants were open to considering a potential solution beyond bonds/fixed interest based investment exists in their evidence on the alternatives they were looking into around the time of advice. For example, they refer to having an early discussion with the adviser about investment in S&P 500 tracker funds (which is equities focused) and Gold.

Overall, and in the above context, I am not persuaded by Barclays' argument that there is a natural match between the case and usage of the Fixed Rates Bonds Index. Instead, I agree with the investigator's finding that the FTSE UK Private Investors Income Total Return Index benchmark is appropriate for calculating redress for the complainants. As I summarise in the next section, it is not wholly equities focused and it includes a reflection of bonds.

Taken as a whole, I am satisfied that it matches the circumstances and profile presented by the complainants at the time of advice. As I addressed earlier, within that profile they even sought to ensure flexibility in the FMP that allowed them to turn away from the bonds to equities in between the FMP's fixed term, and using around half of the invested capital. This illustrates how much they aimed to straddle both asset classes if the opportunity to do so arose, and the extent to which investment in equities appears to have been their intended destination, one they were prepared to reach before the end of the FMP's fixed term.

Putting things right

fair compensation

My aim is to put the complainants, as close as possible, into the position they would likely be in but for Barclays' unsuitable advice. I have already dealt with the main elements of compensation and redress above, so I need not repeat them.

The start date for the calculation of redress is the date(s) on which the complainants' capital was invested in the FMP.

As far as I understand, it remains in place, unaltered, and the complainants intend to leave it as such until its underlying bond holdings mature (between 2026 and 2027). Given the nature of the product, and premised on it being held to full maturity (as I believe the complainants intend to do), its Total Maturity Value ('TMV') will be known, so this TMV should be the *actual value* used as of the settlement date/end date in the redress calculations. If the actual value of the complainants' FMP is different to what I have called the TMV, then its actual value as of the settlement date/end date should be used in the calculations.

what must Barclays do?

To compensate the complainants fairly, Barclays must:

- Compare the performance of the complainants' FMP investment with that of the benchmark shown below and pay them 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.
- Pay any interest set out below.
- Pay the complainants £2,000 for the trouble and distress caused to them.
- Provide the details of the calculations to the complainants in a clear and simple format.

Income tax may be payable on any interest awarded.

Investment	status	Benchmark	from ("start date")	to ("end date")	additional interest
The complainants' FMP investment	Still Exists	The FTSE UK Private Investors Income Total Return Index (prior to 1 March 2017, the FTSE WMA Stock Market Income Total Return Index)	Date of investment	Date of settlement	Not applicable

actual value

This means the TMV or, if different, the actual value of the FMP investment, whichever accurately reflects the investment's full actual value as of 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.

why is this remedy suitable?

I have decided on this method of compensation for the reasons addressed above. The FTSE UK Private Investors Income Total Return Index is a mix of diversified indices representing different asset classes, mainly UK equities and government bonds, and would be a fair measure for someone who was prepared to take some risk to get a higher return. For the reasons I have already explained, I consider it a fair benchmark to use in calculating redress for the complainants and I do find that it puts them in a position of betterment.

compensation limit

Where I uphold a complaint, I can make a money award requiring a financial business to pay compensation of up to £150,000, £160,000, £170,000, £190,000, £195,000, £200,000, £350,000, £355,000, £375,000, £415,000, £430,000 or £445,000 (depending on when the complaint event occurred and when the complaint was referred to us) plus any interest that I consider appropriate. If fair compensation exceeds the compensation limit the respondent firm may be asked to pay the balance. Payment of such balance is not part of my determination or award. It is not binding on the respondent firm and it is unlikely that a complainant can accept my decision and go to court to ask for such balance. A complainant may therefore want to consider getting independent legal advice in this respect before deciding whether to accept the decision.

In the complainants' case, the complaint event happened after 1 April 2019 and the complaint was referred to us after 1 April 2024 but before 1 April 2025, so the applicable compensation limit would be £430,000.

My final decision

I uphold Mr T's and Mrs T's complaint, and I order Barclays Bank Plc to calculate and pay them redress and compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T and Mrs T to accept or reject my decision before 5 March 2026.

Roy Kuku
Ombudsman