

The complaint

Miss E complains she was misled about the return she'd receive on a UK Gilt investment recommended by Amber Wealth Creation Ltd.

What happened

Miss E was an existing customer of Amber and held a variety of different types of investments. In July 2023 she had a large sum of cash available due to change of plans regarding a property purchase and was looking for somewhere to put the money in the short-term while she considered her options.

Amber recommended she commit £700,000 to a gilt with a maturity date of 22 April 2024, giving an effective nine-month term, which was Miss E's preferred option timewise. She accepted the recommendation, and the investment went ahead. Unfortunately, a separate business (which I'll refer to as X) responsible for placing the investment committed the money to the wrong gilt, one with a later maturity date in January 2025.

Miss E became aware of this in January 2024. A complaint was made to X and it accepted responsibility for the error. X agreed to encash the incorrectly invested gilt before its maturity date, in April 2024, line with the original expected maturity, and make good on any loss incurred when compared with the return that would've been achieved from the correct gilt. X also offered Miss £500 for the distress and inconvenience caused by its mistake.

The encashment eventually went ahead as of 7 May 2024 with a sum totalling £723,604.73 being paid to Miss E.

Alongside her complaint to X, Miss E also complained to Amber regarding the advice to invest. As set out above, she said she'd been led to believe she'd receive a return on the recommended gilt of 5.1%, which would've given her an approximate return of just over £30,000. So, in receiving the amount she did in May 2024 from X, she'd incurred a loss, which she felt Amber was responsible for.

Amber didn't uphold the complaint. In short, it felt it had made a suitable recommendation and had clearly explained how the investment would work, including what level of return should be expected.

Miss E didn't accept this and referred the complaint to this service. Contrary to Amber's view, our investigator felt the complaint should be upheld. He didn't think the recommendation had been fully explained to Miss E, particularly in respect of two issues - the illustrated rates being given as annualised figures and the potential impact of delaying the start of the investment if interest rates and, in turn gilt process, changed in the interim.

The investigator concluded that if Miss E had been better informed about the risks and calculation of the expected return, she wouldn't have gone ahead with the recommendation. But without any certainty regarding what she might otherwise have done, the investigator proposed Amber pay redress to Miss E based upon a comparison with this service's benchmark for a cautious investor. He said that if the amount calculated using that

benchmark produced a figure higher than Miss E had received from X, Amber should pay her the difference, along with £200 for the distress and inconvenience caused by Amber's failure to engage with her in respect of her other investments while the gilt situation was investigated.

Miss E accepted the investigator's view, but Amber didn't. In short, it maintained that the recommendation had been suitable for Miss E's circumstances and objectives and had been fully explained to her. It added that in any event the redress proposed by the investigator was unreasonable as, although it was a benchmark, it nevertheless reflected an element of stock market investment and Miss E had clearly not wanted to expose the money to that type of risk.

The investigator wasn't persuaded to change his opinion. So, as no agreement could be reached, the matter was referred to me to review.

Having done so, I issued a provisional decision explaining that why I'd reached a different conclusion to that reached by the investigator. I said, in part –

“As can be seen from the background I've set out above, this has been frustrating and somewhat confusing matter. X's administrative error meant the investment didn't proceed as it should've done and that aspect of the matter has been addressed to a degree at least.

But while there is an inevitable inter-linking, the issues I'm considering here relate to what Amber did, or didn't do – not X.

I'd say firstly that I'm satisfied the recommendation of a gilt investment to Miss E was broadly suitable for her circumstances and objectives. She didn't want the money to remain on deposit, so sought a short-term, tax efficient, minimal risk investment that would provide her with a return higher than leaving the money on deposit. I think a gilt investment was consistent with that objective.

The real issue though is what Miss E was led to believe about the level of return that would likely be achieved by the investment. Her complaint is centred on the fact that she understood she would receive a return of 5.1%, based on illustrative figures provided to her in a Gilt Investment Report dated 24 July 2023. But the relevant figure was actually 4.7% - that being 5.1% net of higher rate tax on the coupon element of the gilt. And further, the 5.1/4.7% figures that were used in the report were annualised – meaning they represented the return that would be achieved if the investment was held for a year. But, as noted, Miss E was only going to be invested until the gilt maturity date, so for around nine months.

I've looked at the report and considered its contents carefully. I've done so conscious that there was other correspondence on the matter between Miss E and the adviser, along with face-to-face discussions.

Having considered the report, I think it was made reasonably clear that the relevant illustrative figure for the potential return was 4.7%. In a table summarising the data relating to the gilt, 5.11% was shown as the 'Gross YTM' (where YTM was yield to maturity). The 4.70% figure was shown as the YTM (net 40%), and Miss E was a higher rate taxpayer. So, I think it should have been apparent that 4.7% was the relevant figure.

And in respect of the annualisation issue, further down the same page the report explained –

“To a higher and additional rate taxpayer, if the Gilt is held to maturity, we are seeing after tax returns to a client at double bank account rates. There are a variety of different options available (see appendix which we have discussed). The most obvious to you were the Gilts

ending in January 2024, April 2024 and January 2025. These are producing after tax around 5% **annualised** compared to the bank 2%-2.5%.” (my emphasis)

Again, I think it was made reasonably clear that the rates were annualised (which in any event is a standard way of showing rates of return) and so Miss E, investing for a shorter, approximately nine-month term, wouldn't achieve quite the same level of overall return.

But one further issue concerned the time it took for the investment to actually be made following the recommendation. While Amber's report was issued dated 24 July 2023, for various reasons (which I should stress I don't think were the fault of Amber) the investment wasn't made until 25 August 2023, a month later. During this period there was an increase in interest rates and the gilt price moved, impacting the expected overall return if held to maturity as planned. As a result, the figure provided to Miss E by X as to what she would've received back had it invested in the correct gilt was well below what she had originally expected – around £709,000.

While the report did include, in a list of 'possible disadvantages', interest rate and markets risk as factors that could affect the price, I don't think it was made particularly clear what sort of impact not investing promptly could potentially have.

While the specific consequences of not investing until 25 August 2023 couldn't have been known at the point the advice was provided, I think the overall potential for the return from the investment not being as high as the illustrative 4.7% could've been made clearer. Miss E thought she was going to achieve a return of 5.1% for investing for nine months and while that wasn't correct, I don't think she was made aware of just how possible it was that the eventual return could be quite well below that figure, or even the 'correct' illustrative figure of 4.7% annualised – effectively around 3.5%.

So, while I accept it's a finely balanced matter, overall, I don't consider that Amber communicated the likely outcome of the investment to Miss E as well as it could've done. I think this created a loss of expectation for which compensation of £200 is reasonable.

I note that the Investigator had recommended that figure in relation to the distress and inconvenience caused by Amber failing to engage with Miss E during the period in which the matter was being investigated. But I've not seen sufficient evidence to support a finding that Amber failed in that way. That said, as this is a provisional decision Miss E has an opportunity to provide further comment and evidence in that regard.

But turning to the potential investment loss, I don't agree with the investigator's conclusions. He too didn't think Miss E was presented with sufficiently clear information to make an informed decision and he went on to conclude that if she'd been made better aware of the variables and how they could affect her investment she would most likely have chosen to invest differently.

But he felt it wasn't possible to say precisely what she would've done differently if she'd been better informed – hence why he suggested the use of our 'cautious' investment benchmark as a comparison. But that benchmark is intended to reflect a situation where someone is prepared to accept a low, cautious, level of stockmarket risk. But Miss E wasn't, and given the short term of the investment, no stockmarket related type of investment would've been suitable in any event. It's also worth noting that it's quite possible a comparison between the benchmark and the return Miss E actually received might not show any loss.

I accept it's not possible to say with absolute certainty but, on balance, I think it most likely that even if Miss E had been better informed about the likely return from the gilt investment she would nevertheless still have gone ahead with the recommendation. I say that because

the 'actual' illustrative rate of return (as opposed to the 5.1%) would still have compared favourably with available alternatives – primarily because of the tax efficiency, the main reason for the recommendation.

Miss E suggested that if she'd known the gilt return could be lower than 5.1%, she wouldn't have gone ahead and has highlighted that she was earning 4.7% in her building account at the time. But that return would've been subject to income tax and, as noted, she was a higher rate taxpayer. So, 4.7% on deposit would've equated to only around 2.8% net of tax. So even if lower potential gilt returns had been discussed, they would still have looked appealing.

I should stress that I completely understand why, looking back on what has clearly been a difficult and frustrating matter for her, Miss E might now feel she wouldn't have proceeded with the gilt investment. But it's important that I don't consider matters using hindsight.

It must be remembered that at the time of the advice, in July 2023, she had a productive, ongoing relationship with Amber, involving a large and varied investment portfolio. I see no reason why, if presented with clearer information about the potential return, she would've turned down the opportunity to obtain the better than 'on deposit' rates she sought and which the gilt investment was, at that point, likely to provide, even if the illustrative figure was less than 5.1%.

I appreciate Miss E will be disappointed with my provisional decision. This is a situation where something has clearly gone wrong and has caused her distress and inconvenience. But in all the circumstances, while I think the recommendation could have been better handled by Amber, for the reasons set out above, and she should be compensated for that, I don't think it's responsible for any investment loss."

Miss E responded to my provisional decision with some further points, in brief:

- While it was impossible to prove, the verbal confirmation from Amber relating to the recommendation was that the return would be the £35,0000 figure.
- The Gilt Investment Report didn't say that the indicated return was an annual figure rather than 9/12ths.
- By the point of deciding whether to cash in the incorrect investment the prospective returns had fallen to only 3.2%
- That wasn't a return she would've considered investing to obtain, as she could've achieved around 4.8% on deposit and was a basic rate taxpayer for the period in question.
- She felt forced to cash-in the investment early because no-one would provide her with an indication of the likely eventual return if she'd held on the incorrect investment.
- It was wrong of Amber to not help and ignore her requests.

Amber also responded to the provisional decision, saying it was generally happy with the content and glad I'd agreed the advice had been suitable for Miss E. Whilst it had no issue with a small ex-gratia payment being offered for the inconvenience, it didn't think the case should be seen as being upheld.

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, my overall view of the complaint remains as set out in my provision

decision. I want to assure Miss E I've read and reconsidered everything on the file. But that said, I'm satisfied I don't need to comment on every point raised to reach what I consider to be a fair and reasonable decision. Where I've chosen not to comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. That approach is in line with the rules we operate under.

I've given careful thought to Miss E's further comments, but ultimately, I still feel that had things been better explained to her she would *most likely* have still proceeded with the Gilt investment. As I said before, at the time of the advice, it represented a reasonable way to meet her short-term objectives for the money. I think the indicative returns, even with it clear that 5.1% wasn't going to be achieved, would nevertheless have been attractive. I note what she's said about actually being a basic rate taxpayer for the period in question. But the recommendation was made with it clearly documented that she was a higher rate taxpayer.

Clearly things didn't go to plan and as such the investment created what I appreciate was a lot of confusion and frustration for Miss E. But as I said before, it's important not to judge matters using hindsight. I must look at the recommendation based on what was known and discussed at the time, not what subsequently happened.

In respect of what did happen and putting things right, I accept that the eventual position Miss E will be in following her two complaints – this one to Amber and the other to X – may not precisely reflect the position she'd have been in had everything gone smoothly. But I'm nevertheless satisfied that she'll be in a position that represents a generally fair and reasonable overall resolution to the matter.

I've accepted that the evidence suggests that, although making a broadly suitable recommendation, Amber more likely than not didn't explain things as well as it could've been explained. And that's why I'm directing it to make a payment to compensate for the loss of expectation Miss E experienced because of that lack of clarity.

Putting things right

Amber should pay Miss £200 to compensate for the distress and inconvenience caused by the loss of expectation.

My final decision

For the reasons given, my final decision is that I uphold the complaint and direct Amber Wealth Creation Ltd to make payment to Miss E as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 24 April 2025.

James Harris
Ombudsman