DRN-5627399

The complaint

Mrs M complains Invest Southwest Ltd ("Southwest") gave inappropriate investment advice, which, together with a 'lack of management', caused her to suffer loss and stress. She says, amongst other things, that the high allocation to UK government bond funds was unsuitable as was the investment term given her age.

What happened

My provisional decision of 8 May 2025 set out the background of the complaint. I've set out some of this again below.

In October 2017 Ms M asked Southwest for its view on a £122,000 ISA investment another advice firm had set up for her that year which was showing a loss of £990. She said the set-up fees and annual charge had *"eaten into any gain"* and *"I did ask for a low risk investment"*. Mrs M had been with her existing adviser since 2010. He had changed firms in 2017.

Mrs M said she had learnt she could only expect a return of 2.5% on a low risk investment but a friend invested with another firm had made 12% net of charges in the same period *"on a medium risk basis"*. She told Southwest that with *"initial charges of 2%, annual charge of 1.6%, inflation at 3% I feel that there is little chance of a meaningful return"* on her ISA. She didn't want to *"make a rash decision"* to put her investment into a *"safe harbour"* like cash. She asked for Southwest's view. Southwest told her: *"moving to a Cash ISA is rarely a good idea. Getting a value for money portfolio is usually the right course of action".*

In January 2018 Southwest noted how Mrs M's existing portfolio was invested. I think this equated, broadly, to 60% in equities and 40% in corporate or government bonds.

Southwest assessed Mrs M's risk appetite as *"Cautious to Moderate"* on a 1-5 risk scale. Its investment report referred to her as *"Cautious to Low Moderate"*, defined as:

"You are comfortable in taking a small amount of investment risk and capital protection is fairly important. This means that your portfolio will contain a relatively small amount of riskier assets in order to increase the chance of obtaining better long term returns. A typical Cautious to Low Moderate investor will be invested in fixed interest and cash and will also include an element of equities and property. The range of assets provides diversification benefits to reduce the overall risk."

It advised Mrs M to invest her ISA, worth £123,285 in funds such that, from what I've seen, the asset split equated broadly to 56% in equities and 44% in bonds.

Southwest noted Mrs M didn't have a specific investment objective *"but did indicate a desire for future capital and/or income withdrawals…"* The 'objective summary' said the term was until February 2037 – which I gather was based on average life expectancy at Mrs M's age.

A cost comparison form given to Mrs M to sign suggested there would be a cost due to reinvesting the funds, but a slight saving in the ongoing charges was expected.

From the discussions of performance that took place, it appears the investment lost money in 2018, grew in 2019 with UK government bonds doing well, fell to £135,212.29 in April 2020 and recovered to £150,669.85 by July 2020. It had peaked in December 2020 at £160,000 and fallen to £156,000 by June 2000 with UK government bonds doing worst and overseas equities best. Her ISA was worth around £156,000 in May 2021.

In June 2021 Mrs M asked Southwest for advice on investing £220,000 from an inheritance of around £307,000 she had received from her mother's estate. Southwest noted Mrs M was in her mid-seventies, in good health with no mortgage. She supplemented her state pension income by dipping into savings.

Southwest's investment report said: *"You would like to see your investment capital growing in value, and at a rate to beat inflation… You would like to add a further £220,000 to your investment portfolio following the receipt of an inheritance."*

It said: *"We established you are prepared to take a certain degree of risk with your financial decisions. When faced with a major financial decision you have a cautious attitude about possible losses versus possible gains, and it was more important to you that the value of your money retains its purchasing power, than it falling in value in absolute terms."*

Southwest assessed Mrs M's risk appetite using a questionnaire. Her answers were she strongly agreed with wanting to explore investment options for her money. She was typically very cautious and preferred safe and steady investments and would be uncomfortable with investments that could make large gains if they carried the risk of large losses. She would choose a low average annual return with almost no risk of loss of the initial capital, over something offering higher returns with more risk of loss. She agreed she felt anxious having investments that have an element of risk.

On this basis Southwest assessed Mrs M's risk appetite as *"Low end of Cautious to Moderate"* which was described as follows: *"You are prepared to take a limited investment risk in order to increase the chances of achieving a positive return but you only want to risk a small part of your capital to achieve this. A typical Cautious to Moderate portfolio will have up to half invested in fixed interest products which are low risk but have low returns. The larger part of the portfolio will be invested in equities and property which can boost longer term returns but are associated with more risk. Because you are a Low end of Cautious to Moderate investor there will be slightly more invested in fixed interest and cash. The range of assets provides diversification benefits which also help to reduce the overall risk."*

Mrs M kept around £80,000 in cash for emergencies or planned spending. She put £20,000 into an ISA invested 56% in UK Government Bonds and 46% in UK and Global Equity funds. She put £200,000 into a new investment bond, invested broadly in the same way.

In July 2022 Southwest recommended Mrs M use a discretionary portfolio manager. Mrs M noted cost had been put forward as a possible disadvantage of this but without any figures. Southwest provided calculations to show the cost would be around 0.27% higher per year based on a marginal increase in fund trading costs and a charge of 0.25% for the Discretionary Fund Manager. Mrs M agreed to the change.

The service couldn't be added to the investment bond, so it was only added to the ISA. In July 2023 Southwest sent Mrs M figures to show that the discretionary managed portfolio had done better *"by some margin"* than the existing ISA portfolio would've done.

In November 2023 Mrs M complained to Southwest. Her complaint letter said she was seeking compensation in light of a number points which included, in brief summary:

▪ She had always stressed she would likely be very distressed when faced with a loss of capital, so the 2018 risk questionnaire answer that said she would not be overly concerned with losses was incorrectly recorded and is a serious mistake.

▪ Southwest failed to ask her about the preferred duration of her investments and wrongly assumed it was 19 years. She was 71 at the outset and her expectation was actually five to seven years. This incorrect assumption adversely affected the fund choice.

▪ In 2021 she emphasised that she could not afford to lose any capital as the money would be needed to buy a house in the foreseeable future.

▪ The investment bond cost £6600 to set up. In its first 16 months she expressed deep concern at continuing loses which were becoming regular and unacceptable. The £20,000 she added to her ISA was lost entirely during the following three months. The ISA had lost £40,000 and the bond £30,000 which Southwest had done nothing to prevent. She was distressed by these losses and Southwest was offering her no hope these would be recovered. The idea that these might increase to £100,000 in losses was unbearable.

▪ Southwest told her it was better at creating growth but had failed in this since May 2021.

▪ She shouldn't have to pay two people to manage her portfolio - a discretionary manager managed her ISA since 2022 while Southwest continued to manage her bond.

Mrs M later added she felt the performance had been bad because too much had been invested in government bonds which do not create growth. She felt she should have been advised to leave her capital in the building society as the bond money was to buy a house in the short term, and her planned investment term from 2018 had been five to seven years.

Mrs M also told our investigator that she had felt pressurised to sign up for the investment bond at a meeting with Southwest and she should have asked for time to think about it.

I issued my provisional decision for this complaint on 8 May 2025, explaining why I didn't plan to uphold it. What I said included, in summary:

- Mrs M had her reasons for wishing to change adviser, and I don't think Southwest was at fault in 2017 for not persuading her to stay with her existing adviser.

- Mrs M didn't want too much risk, but she didn't want low risk returns eaten away by charges or her capital eaten away by inflation. She was weighing the idea of taking more risk to try to get more growth. She also asked whether she should just move into cash.

- Mrs M's 2018 risk questionnaire answers pointed to her not being very keen on risk – so I don't think it would've been right for Southwest to recommend she significantly increase the risk she was taking. But I also don't think Southwest was at fault for not advising her to move to cash. I say this because based on her assessed willingness to take risk, she didn't want to just put her money into a building society account – and I don't think her financial circumstances required that she be as cautious as that either. I note also deposit interest rates increased a touch in 2018 from historic lows but were still low.

- Southwest advised Mrs M in 2018 to maintain broadly the same investment mix and risk level – but made it a little bit more cautious. I can't find fault with this. Mrs M was free to keep her money in cash if she preferred – she came to Southwest with investments and so had some familiarity with what that meant.

- Mrs M's investments initially did very well with Southwest and grew significantly and to a degree far in excess of anything deposit accounts could achieve.

- Insofar as Southwest's approach arguably put too little into government bonds compared to equity funds, this didn't disadvantage or cause Mrs M the loss she complains of. If Southwest had advised her to put more into government bond funds instead of equity funds, she would have done worse. Indeed, Mrs M identified this and her complaint in part is that Southwest advised her to put too much into UK government bond funds.

- In 2021 Mrs M had received funds from a legacy. Southwest made clear the investment bond was to be considered a medium to long term investment – so I'm not persuaded Mrs M chose to invest in it while at the same time having firm plans to use the cash in the short term to buy property. I don't find persuasive evidence that she told Southwest she planned to use these funds for property purchase.

- Whether to invest or keep the money on deposit was something for Mrs M to decide – her circumstances didn't require Southwest to advise her not to invest at all. In her view, less ought to have been put into government bonds. This seems consistent with someone willing to invest and take some risk with her money rather than someone wanting it kept on deposit.

- I think Mrs M invested in 2021 because she wanted to put the money into an investment for growth, rather than because she was being pressured. I've seen nothing from the time to make me think she was pressured or didn't wish to invest. Her risk assessment answers said she strongly agreed with the idea of exploring investment options.

- The asset mix recommended to Mrs M by Southwest in 2021 was a little less risky than the 2018 mix - with a higher allocation to fixed interest investments rather than shares. It was clear this was the approach being taken. This approach wasn't unreasonable, given the amount being invested was higher in 2021 than in 2018 and Mrs M was a little older. Rising interest rates led did lead to losses on government bonds in the following period. I don't think this makes Southwest's recommended approach unreasonable or negligent.

- It wasn't unreasonable for Southwest to later suggest Mrs M use a portfolio management service - bearing in mind Mrs M expressed views from time to time about the relative performance of different funds within the investment. It seems to me she was not against more active management of her investment. It was made clear there would be a slightly higher cost. It seems to me she made her decision after considering what Southwest told her and after making sensible enquiries for further information. It appears there was initially an element of outperformance that offset the cost, but this of course could not have been known or guaranteed in advance.

- Southwest understood Mrs M didn't intend to cash in the investments substantially or wholly in the foreseeable future, although she would draw from them. From what I've seen, this fitted with the information Southwest collected from Mrs M about her plans. Southwest made clear its understanding and the approach it was taking.

- Southwest referred to investment timeframes that were based on average life expectancy. But the investment approaches it recommended were suitable so long as Mrs M intended to invest for five years or more.

Southwest accepted my outcome. Mrs M rejected it. In brief summary, she said she relied on Southwest to give her sound advice, choose sound investments, protect her capital above all and create growth. But latterly it didn't protect her capital or create growth. She said our investigator's report – upholding her complaint - had been detailed, thorough and covered the truth with honesty and fair play, and she didn't see how I could dismiss its findings. She also said, in brief summary:

- She left her previous adviser mainly because he had moved to a new firm and that firm was receiving a bad press for high fees – and there was a 120 miles distance which was a problem for him.

- Her knowledge of the financial and investment markets is zero, which is why she needed the help of an adviser on whom she would totally rely.

- She has always emphasised to Southwest her capital must be protected. It assured her both her investments were geared up for growth and *"unlimited switches"* were available.

- I may not find the emails from Southwest of 9 June 2021 and 24 September 2021, which indicate house purchase had been discussed at previous meetings, conclusive proof of those discussions - but this is an area where honesty and truth should prevail.

- To clarify, it was only the day Southwest visited hoping she would invest in the new policy (the investment bond) that she felt pressured. Southwest's adviser was in a hurry for personal reasons and seemed impatient.

- She strongly objects to Southwest accusing her of "manipulating" and "embellishing" the facts, which she sees as a slur on her character.

Mrs M also said that Southwest acted negligently and with a lack of care. In particular:

- It said it was better placed to create growth but made no attempt to do so.

- It allowed her investments to fall drastically over a 16 month period, despite the deep concern she expressed and her repeated requests to stop these losses continuing – and despite initially assuring her it frequently checked her investments. It should explain this betrayal.

- It was unable to curtail her losses and informed her a Discretionary Manager needed to be brought in to do so.

- It assumed 19 year default term was appropriate although in 2018 she was 71 and 74 in 2021. It failed to mention at any meeting that the term of the investment was 19 years.

- It's choice of bond provider had been receiving very bad performance reviews in the financial press since 2017. Having made this disastrous choice, it allowed the capital value to fall away almost immediately and did nothing despite all her emails desperately trying to persuade it to remedy the situation. The bond provider didn't permit the use of a Discretionary Manager – but Southwest showed no interest or intention to do anything.

- It made a serious error on the Risk Assessment which implied a very different attitude to risk. She answered capital protection was "very" important, but I quoted Southwest as saying she said "fairly" important instead. This must be relevant. Analysts surely base their recommendations on the answers given. So if one question is answered incorrectly and that incorrect answer is a very relevant answer, how can it be said it doesn't matter?

- It was not attentive to her emails as it didn't respond to most of them.

Mrs M also said there were glaring errors in my assessment. In particular:

- The figure of £307,000 I quoted was not correct.

- The ISA opened at £125,961 in February 2018. It rose to £188,193 by January 2022. It lost £44,180 by January 2023. In November 2023 its value was £44,000 less than in January 2022. It certainly had *not* recovered when she moved it from Southwest, and I repeated an error when I said in my provisional decision that it had recovered.

- The investment bond opened at £200,077 in July 2021 and dropped to £173,364 by January 2023, a loss of £26,713. To date, over four years later, it has still not recovered.

Mrs M asked that I review my decision in light of all she had said in reply. The complaint has accordingly been passed back to me to decide.

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'm most grateful to Mrs M for her detailed, clear and concise comments. I've read all she has said and sent us. Having thought carefully about all I've seen, I reach the same broad conclusion as I did in my provisional decision, that Southwest's recommendations fell within the range of what a competent adviser might advise, and I arrive at that view for broadly the same reasons as I gave in my provisional decision.

It shouldn't be inferred from this that I find Mrs M's representations to lack candour. Rather I find the balance of evidence supports the view that the advice given was not inappropriate or unsuitable in all the circumstances here. I won't repeat here all the reasoning from my provisional decision, but I discuss briefly below points Mrs M has raised since then.

I acknowledge what Mrs M says about the reasons for leaving her previous adviser and the clarification she has given about feeling pressured. I'm also grateful to her for providing further figures on the performance of the investments. My purpose in giving figures for the investment performance during the period February 2018 to May 2021 was to give context for the decision Mrs M made in 2021 to invest more.

I said Mrs M had some familiarity with investments. This isn't to say she was a seasoned investor or had knowledge beyond what a lay person might have by virtue of holding an investment for a time. I accept she relied on Southwest's advice and was entitled to do so. But she came to Southwest in 2017 with investments and based on her assessed willingness to take risk, she didn't want to just put her money into a building society account.

Southwest in 2018 recommended that Mrs M make her existing investment mix a little bit more cautious, although it was broadly comparable to what she had before. In my view the investment was affordable and her financial circumstances didn't require that she be advised to hold cash or capital guaranteed holdings.

Mrs M says she emphasised to Southwest her capital must be protected. But it is also plain that she was willing to take some risk. When she signed the 'summary of recommendations' in 2018, she did so on the 'attitude to risk' page which set out the risk attitude description I've set out above – including that *"capital protection is fairly important"*. Southwest's reports set out the risk attitude and approach Southwest was proposing and had assessed as suitable.

I note what Mrs M says about a serious error on the Risk Assessment, but the approach to be taken was made clear in my view – and it said capital protection was 'fairly important'. If Mrs M had been unhappy with that approach, she could've raised it at the time. Moreover, as I've noted, Southwest advised Mrs M in 2018 to maintain broadly the same investment mix and risk level as she already had with her investment but made it a little bit more cautious.

Also I note for both 2018 and 2021 Southwest's report said maintaining Mrs M's money's purchasing power was more important to her *"than it falling in value in absolute terms".* It seems to me this reflects that Mrs M was willing to take some risk with her money to try to get it to grow at least enough to keep up with inflation. In 2018 Southwest's letter said Mrs M saw *"little point in leaving large sums on deposit where, although the capital will be safe, inflation will erode the real value of the monies"*. In both 2018 and 2021 it said Mrs M would like to see her *"investment capital growing in value, and at a rate to beat inflation"* and wished to ensure her capital *"is well looked after and gives you the greatest growth potential within your stated attitude to risk…"*

Mrs M says the term she wished to invest for in 2018 was five to seven years. On that basis the approach recommended by Southwest at that time would've still been reasonable. But I've not seen anything from that time that says Mrs M had that sort of investment term in mind. The evidence we have from 2018 is that Mrs M didn't have a specific investment objective and didn't specify an investment term or fix a point at which she expected to want to spend the capital. The term Southwest told Mrs M it was working to was in essence a whole of life term. Mrs M says this was never discussed and was only communicated to her in the report. But it was disclosed to her there in 2018 – and the same idea was put to her in the same way in 2021. It seems to me unlikely Southwest would've assessed the term in this way in both 2018 and 2021, and without Mrs M taking issue with this, if it had gone against the substance of what Mrs M and Southwest had actually discussed. In 2021 the letter also said Mrs M was *"investing for the long term".*

Mrs M points to 2021 emails that referred to discussions about her buying another house. If this was something Mrs M intended to do in the short term, the right course would've been for Southwest to advise her to keep the relevant funds in cash rather than invest them. In an email of 9 June 2021 what Mrs M said to Southwest included: *"I would like to keep as much of the major investment as intact as possible… I do not need a large income… With house prices always rising, I don't want to be left behind and… I cannot rely on releasing my investment in this house anytime soon."*

I agree this reference to house prices indicates house purchase was something Mrs M had in mind as a possibility, and it suggests to me her aim in investing funds may have been to seek to have them keep pace with house price rises in some way. But what was discussed doesn't seem to have amounted to Mrs M telling Southwest funds she was planning to invest were also earmarked for property purchase in the short term. I say this based on how the outcome of the discussion was summarised in the 2021 advice letter.

Also I haven't seen anything to suggest Mrs M invested in 2021 not knowing the product was supposed to be for the medium to long term. So Mrs M's decision to invest tends to suggest to me that she hadn't yet decided that invested money would be needed in the short-term for property purchase. What I have doesn't make me think Mrs M told Southwest this was something she had made up her mind to do either.

In saying this I don't overlook Mrs M's 24 September 2021 email which said: *"…is there any way I can transfer my share in this house to my daughter so I will not be classed as a second home owner should I go ahead and buy one of my own?"* – which again shows the possibility of buying a house in future was mentioned, but it doesn't show that a decision to do so, or to do so in the short term, had been made.

On balance I am still of the view that what I have doesn't suggest that Mrs M had earmarked the invested funds for property purchase within the short term. Also I'm not persuaded that Mrs M was just looking only to preserve the value of the invested sums – or would've been well advised to do so on the basis that these were likely to be used for property purchase in the near term.

It seems to me Mrs M wanted growth and wanted to keep her capital intact too. These were competing priorities. It was apparent from how the existing portfolio had performed that the investment approach being taken could lead to the value rising and falling. In deciding to invest more in 2021, it seems to me Mrs M ultimately took the decision to prioritise seeking growth. I don't think it was unreasonable or reckless for her to take that view, and so I don't think Southwest is at fault for not having advised her against it. With the benefit of hindsight, the further investment did not help grow her funds – and so didn't help bring any goals that might have rested on that happening, closer. But it seems to me that in making the choice to invest more, Mrs M took an informed risk that could have had that effect if the investment environment for the selected assets had turned out more favourably.

With regard to the points Mrs M has made about the investments performance, Southwest did not promise it would produce better results than Mrs M's previous adviser – and she didn't move from her previous adviser due to any such promises. She moved for the reasons she has explained, which were specific to her previous adviser. Also saying investments are geared for growth with *"unlimited switches"* is not a guarantee that the investments will rise or won't suffer losses. I don't see that Southwest did or could guarantee that the investments would only make gains and never make losses.

Also the fact Southwest's approach didn't recover losses or avoid them in the way it may have hoped, doesn't mean Southwest's approach was negligent. Where investments don't have guaranteed returns and carry the risk of loss, losses may occur. Where this happens, continuing with the investments in the hope of recovery will usually be a reasonable course. Whether that will produce better results than alternatives cannot be guaranteed – but that is the nature of investing. Regularly checking on investments does not guarantee that losses will be reduced – as what action will produce the best results in future won't be known at the time and only becomes clear with the benefit of hindsight.

I note the use of a discretionary manager does appear to have produced some benefit, but one manager or method of management producing better results that another over a particular period doesn't mean the other is negligent. The bond provider Southwest chose didn't allow this option, but it was a large and long standing provider of such bonds and I see nothing untoward in that choice of provider.

Mrs M points out my provisional decision incorrectly stated her inheritance itself was around £307,000. Looking again at the 1 June 2021 summary of recommendations, it said: *"You have around £307,000 currently on deposit… following the receipt of an inheritance from your mothers estate"*. So the £307,000 figure referred to Mrs M's cash deposits. One can't say from this how much came from the inheritance or what the inheritance was. While accepting this, it doesn't change my view of the complaint or of the suitability the advice.

Finally, what I've seen doesn't make me think that Southwest wasn't attentive to Mrs M or didn't treat her fairly in that regard. The email correspondence between them was extensive and I don't see that it would be fair and reasonable to say that Southwest didn't give Mrs M regular responses and updates of the kind one would expect in the circumstances here.

So in light of all I've said above, my view remains that it wouldn't be fair and reasonable to uphold this complaint or make an award here.

I'd like to thank Mrs M for her prompt and thoughtful response to my provisional decision, and for the comments and assistance she has given us throughout this matter. It has greatly assisted our investigations and I'm grateful to her for her patience and courtesy throughout.

My final decision

For the reasons I've given and in light of all I've said above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 20 July 2025.

Richard Sheridan
Ombudsman