

The complaint

Mr P complains about the performance of his stocks and share ISA. He says HBOS Investment Fund Managers Limited (HBOS) didn't invest his money properly as it hasn't grown in value.

What happened

In 2002 Mr P took out a stocks and shares ISA and invested in the Corporate Bond Fund.

In 2021 the share class of his investment was amended.

In 2022, in response to a request, HBOS provided Mr P with information about the distribution figures for his investment

In 2024 Mr P complained to HBOS about the performance of his ISA investment. He said he didn't believe HBOS had invested his money properly and he wanted a refund of his original investment and the closure of the plan.

HBOS didn't uphold his complaint. It said performance wasn't guaranteed with stocks and shares and it didn't have any control over the fluctuation of stock market values. It noted issues such as the global economy, the rising cost of goods and services, and international political developments had contributed to market volatility.

HBOS also said that following the introduction of the Retail Distribution Review (RDR) in 2013, it had carried out research and determined that its customers with holdings under £100,000 were reluctant to pay for advice. So, it had taken a business decision to stop providing investment advice to customers with less than £100,000 in holdings. It said this was why the advisers Mr P had seen in branch when he first took out the plan, were no longer providing investment advice for HBOS.

HBOS said because it had decided not to provide investment advice, the correspondence it sent to its customers did not refer to fund performance. Instead, it only sent customers annual statements.

Mr P didn't agree with HBOS's conclusions and referred his complaint to our service.

He said that although he had received payments from his ISA investment, the value of the investment hadn't increased over the years and was now less than the amount he had originally invested. So, he thought HBOS hadn't been invested his capital properly.

Our investigator considered Mr P's complaint but didn't think it should be upheld.

He said that the Key Investor Information document explained the objectives and investment policy of the fund and that the value of the investment was not guaranteed and could go up and down depending on investment performance.

The investigator said he hadn't seen any evidence to indicate HBOS had failed to invest Mr P's money in line with the mandate set out in the Key Investor Information document. He

said while he understood that Mr P might be disappointed with the value of his investment, it was not evidence of mismanagement by HBOS.

The investigator also said that the fund had performed broadly in line with the IA Sterling Bond index which suggested that it hadn't been mismanaged.

Mr P disagreed with the investigator's conclusions. He asked for evidence that the fund had performed in line with comparable funds within the market.

Further information was provided to Mr P, and he noted the chart provided started in 2020. He asked why he hadn't been provided with data going back further in time and pointed out his investment was taken out in 2002.

Mr P reiterated that the growth on his investment was low, and he said it had never risen beyond the original investment value. He said the value had reduced and quoted the value as in October 2024.

Mr P raised a new point of complaint relating to the fees on this investment. As this was a new matter, it was sent to HBOS for investigation and doesn't form part of this decision.

As no agreement could be reached, Mr P's complaint was referred to me for review.

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 think it is important to clarify the subject area of this decision. This decision is about Mr P's complaint where he says HBOS hasn't invested his money correctly and he points to the performance of his investment as evidence that it hasn't done so.

However, Mr P has also complained about advice he received in 2002 to take out this stocks and shares ISA. That complaint has been dealt with separately and I won't be considering that as part of this complaint. So, I won't be looking at whether the investment recommended was suitable for Mr P, whether it posed too much risk for him or what the adviser told him when he took out the investment.

I am only considering here whether his investment has been invested properly by HBOS – namely does the performance of the fund indicate that it hasn't been invested properly and has it been invested in line with the objectives of the fund as described.

This investment was taken out in 2002 so the complaint regarding the growth of the investment goes back several years however HBOS has given consent for our service to consider the merits of this complaint.

Mr P has complained about the value of his investment and says that it hasn't increased above the initial amount he invested in 2002. He says, in effect, that this shows that HBOS hasn't invested his money properly.

The value of his investment falling below the initial capital investment could be relevant if this investment provided some sort of guaranteed value. However, that isn't the case here.

The Key Features document from the time the investment was taken out indicates a number of risk factors and warns that:

“The value of your investment and the income from it can go up and down and you may not get back what you have invested.”

In addition it looks at risks that apply to the Corporate Bond fund and says

“The fund focuses on income so you should not expect any capital growth.”

And

“Changes in interest rates and inflation could affect the capital value of the investments that make up the Corporate Bond Fund. For example if interest rates increase, their value may fall- if interest rates fall, their value may increase. “

In the recent Key Investor Information document, under the title risk and reward profile it explains that the value of the investment can fluctuate and says:

“The value of your investment and any income from it is not guaranteed and can go up and down depending on investment performance.

It also details the specific investment risks which might cause fluctuations such as a fall in the credit rating of the issuer of the bond/fixed interest security, the risks associated with non-investment grade bonds/securities and the possibility of the use of derivatives increasing volatility.

So, I am satisfied on balance that there was a potential for fluctuation in value because of the nature of the fund invested in and I don't think therefore that fluctuations in value over the years demonstrate the capital wasn't invested properly or that the fund was mismanaged by HBOS.

I also don't think it more likely than not, that the investment provided any guarantee in relation to the capital.

I can see from the figures provided that the value of Mr P's investment has fluctuated over the years – increasing beyond the initial investment in 2002, 2005 and 2006 and the more significant reductions in value taking place in the years directly following the financial crisis of 2008 and in the last four years.

The fund fact sheet from the end of 2016 gives performance data comparing the performance of the fund with the relevant index from December 2011 to December 2016 and I can see that those fluctuations in the performance of the fund broadly follow the performance of that index.

HBOS has also provided performance data comparing the performance of the fund in the from 2021 to 2025 with the performance of the index for the relevant sector. Again, I can see that those fluctuations have broadly followed the performance of that index.

In addition, I think the explanation provided by HBOS about global and national events in recent years impacting market volatility is a reasonable one

Fund objective

The fund fact sheet from 2002 when Mr P took out the investments indicates that the objective of the corporate bond is to provide an income. It says:

“The aim of the fund is to provide an above average income from a diversified portfolio of

interest bearing securities.”

This is mirrored in the 2007 fund factsheet which states:

“FUND AIM

The aim of the fund is to provide an above average income from a diversified portfolio of interest bearing securities.

INVESTMENT APPROACH

The policy is to invest in a wide range of investment grade interest-bearing securities, mainly in the UK and Europe, to obtain a yield in excess of the FTSE Government Securities All Stocks Index.”

This is also set out in the more recent Key Investor Information document for the fund which says the objective as follows:

“To provide above average income by investing in investment grade corporate bonds and other fixed interest securities”*

The more recent documentation also indicates that there are some limitations on the make-up of that fund which are that a minimum of 80% is invested in investment grade corporate bonds and at least 70% is invested in Sterling denominated investment grade corporate bonds.

I can see that in line with the objective; the investment has provided Mr P with income as he has received regular quarterly payments from the fund since he took out the investment. I consider that is part of the return the investment has made as while it hasn't grown in value, it has produced a regular income.

I have also considered the fund fact sheets for the fund issued over the years and I am satisfied on balance that they indicate the fund was invested broadly in line with the investment criteria.

I also note that the make-up of the fund is not completely fixed. So, the make-up of the fund can change over time as fund managers respond to the changes in the market and that doesn't mean the fund has been mis-managed.

Summary

I appreciate Mr P's frustration that the value of his investment is lower than when he took it out in 2002 (although I note the value did increase above the initial investment in the early years). However, I take into account that it has provided a regular income which is the primary objective of the fund.

I don't think the evidence about the performance of the fund shows it is more likely that not that HBOS hasn't invested Mr P's capital properly or that it has mis-managed the fund. So, I don't think it has acted incorrectly or treated Mr P unfairly.

My final decision

My final decision is that Mr P's complaint against HBOS Investment Fund Managers Limited is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or

reject my decision before 19 March 2026.

Julia Chittenden
Ombudsman