

The complaint

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

What happened

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

In 2021 the share class of her investment was amended.

In 2022 Mrs P contacted HBOS to ask about the value of her investment. She complained that HBOS hadn't warned her about the drop in value of her shares.

HBOS didn't uphold her complaint. It said the value of her account depended on the stock market and the performance of her shares. HBOS said her plan was invested in the Corporate Bond Fund and the value fluctuated dependent on the performance of the assets held within the fund. So, it said this wasn't a case of her investment being mis-managed.

HBOS also noted some national and global factors which had impacted volatility in the financial markets.

In 2024 Mrs P complained to HBOS about the performance of her ISA investment. She said she didn't believe HBOS had invested her money properly and she wanted a refund of her original investment and the closure of the plan.

HBOS didn't uphold Mrs P's 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. HBOS said share prices regularly rose and fell depending on the performance of the fund's underlying assets which was an inherent risk with investments of that kind.

HBOS said while it had made every effort to achieve growth, the investment provided no guarantees that value the target would be achieved.

HBOS said Mrs P could seek independent financial advice to manage her funds should she wish to do so. It also said her complaint about the advice she received to take out the investment was being dealt with by a different team.

Mrs P didn't agree with HBOS's conclusions and referred her complaint to our service. She said that although she had received payments from her ISA investment, the value of the investment hadn't increased over the years and was now less than the amount she had originally invested. So, Mrs P thought HBOS hadn't been invested her capital properly.

Our investigator considered Mrs 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 Mrs P's money in line with the mandate set out in the Key Investor Information document. He said while he understood that Mrs P might be disappointed with the value of her 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, acting on Mrs P's behalf 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 Mrs P and Mr P, and Mr P 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 Mrs P's investment was taken out in 2002.

Mr P reiterated that the growth on Mrs P's 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 Mrs P's 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, Mrs 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 Mrs P's complaint where she says HBOS hasn't invested her money correctly and she points to the performance of her investment as evidence that it hasn't done so.

However, Mrs P has also complained about advice she 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 Mrs P, whether it posed too much risk for her or what the adviser told her when she took out the investment.

I am only considering here whether her 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.

Mrs P has complained about the value of her investment and says that it hasn't increased above the initial amount she invested in 2002. She says, in effect, that this shows that HBOS hasn't invested her money properly.

The value of her 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 note that the value of Mrs P's investment has fluctuated over the 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, HBOS has pointed out that issues such as the global economy, the rising cost of goods and services, and international political developments have contributed to market volatility and I consider the explanation provided by HBOS about those factors impacting market volatility in recent years is a reasonable one.

Fund objective

The fund fact sheet from 2002 when Mrs 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 Mrs P with income as she has received regular quarterly payments from the fund since she 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 Mrs P's frustration that the value of her investment is lower than when she took it out in 2002. 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 Mrs P's capital properly or that it has mis-managed the fund. So, I don't think it has acted incorrectly or treated Mrs P unfairly.

My final decision

My final decision is that Mrs 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 Mrs P to accept or reject my decision before 19 March 2026.

Julia Chittenden
Ombudsman