

complaint

Mr and Mrs B's complaint against Barclays Bank UK PLC is about investments they were advised to make in 1999 and 2000.

background

Mr and Mrs B met a Barclays adviser in January 1999. The adviser recommended that Mr and Mrs B invest in a Barclays discretionary managed portfolio. They invested £80,000 in February 1999 and then brought their existing £20,000 of shareholdings into the portfolio in November 1999.

Mr and Mrs B met an adviser again in December 2000 as Mrs B had received a lump sum payment following her early retirement. Mr and Mrs B agreed to the adviser's recommendation to invest a further £80,000 in their portfolio.

Mr and Mrs B complain they were given unsuitable advice. They say Barclays advised them to invest too much and exposed them to too much risk. They also complain that the investments were too complicated for inexperienced investors and they were advised to invest too soon after Mrs B's retirement.

Our investigator thought Mr and Mrs B's complaint should be upheld. He thought that in both 1999 and 2000, Mr and Mrs B were advised to invest too much of their available capital. Barclays disagreed and asked for an ombudsman to make a final decision.

my provisional decision

I gave my provisional decision in October 2020.

I said that before making their recommendations, Barclays should have considered Mr and Mrs B's financial situation, their knowledge and experience of investing, and their investment objectives. That would include taking account of their attitude to risk, their purpose in investing, and how long they wanted to invest their money for.

1999 advice

The adviser asked Mr and Mrs B about their financial situation. They were both employed, with no dependents, and had a total monthly disposable income of £2,350. They held £17,000 worth of shares and had cash savings of £94,000. They had no major expenditure planned.

Mr and Mrs B said their objective was capital growth and they were prepared to invest for at least five years. The adviser assessed Mr and Mrs B's attitude to risk and concluded that it was 'medium'.

The adviser recommended that Mr and Mrs B invest in a Barclays discretionary managed portfolio. The portfolio would be managed as 'capital growth with safety' which meant that about 70% of the funds would be invested in equities and 20% in fixed interest investments, with about 10% held in cash.

The adviser recommended that Mr and Mrs B should retain £14,000 of their cash savings and invest the remaining £80,000 in the managed portfolio. Their existing shareholdings were also transferred into the portfolio later in 1999.

Based on their circumstances at the time, I thought the discretionary managed portfolio was a suitable way of meeting Mr and Mrs B's objectives. They had some investment experience and I thought it was suitable for investors of their knowledge and experience.

And I thought a 'medium' risk investment was suitable for them as they were looking to invest for at least five years and had a high disposable income which meant they could bear the greater degree of fluctuation in value that such an investment might bring.

Our investigator thought Mr and Mrs B were advised to invest too much of their available capital. He noted that they were advised to retain just £14,000 in cash savings, which meant that 87% of their available assets were invested in the portfolio. He thought this was too much given that 70% of Mr and Mrs B's portfolio was exposed to the risks of being invested in equities.

Barclays had said that although 70% of the portfolio was invested in equities, that represented 60% of the £94,000 Mr and Mrs B had previously held in cash savings. As well as their cash reserve of £14,000, 10% of Mr and Mrs B's portfolio would be held in cash, giving them £22,000 of accessible funds – 20% of their overall capital of £111,000.

I thought carefully about the amount Mr and Mrs B were advised to invest and their circumstances at the time. I noted that 60% of their previous cash savings would now be invested in shares. Taking account of their existing shareholdings of £17,000, about two thirds of Mr and Mrs B's overall capital would be invested in equities.

The rest of Mr and Mrs B's capital would be invested in more stable fixed interest investments and in cash. In total, 20% of their capital was accessible, either in cash deposits or as the liquidity in their managed portfolio.

I noted that Mr and Mrs B said they had no major expenditure planned. And I'd also taken account of their monthly disposable income of £2,350. That meant their cash reserves would be increasing each month and they had some capacity to absorb losses they might incur on their investments.

On balance, I thought it was a suitable recommendation that Mr and Mrs B invest the amount they did into the discretionary managed portfolio. And I didn't think Barclays had done anything wrong in giving the advice they did to Mr and Mrs B.

2000 advice

Mr and Mrs B met Barclays again in December 2000. By this time, Mrs B had taken early retirement and received a lump sum of £106,791. Her annual income had reduced from £36,000 to £23,000. It appeared there were no other significant changes in Mr and Mrs B's circumstances. Their objective was still to achieve capital growth.

The adviser asked about Mr and Mrs B's attitude to risk and recorded that it was still 'medium'. He recommended that Mr and Mrs B invest a further £80,000 into their discretionary managed portfolio. It would continue to be managed as 'capital growth with safety' with broadly the same mix of assets.

I thought the recommendation to invest further in the discretionary managed portfolio was a suitable way of meeting Mr and Mrs B's objectives. And I thought it remained in line with their attitude to risk.

Our investigator thought Barclays had advised Mr and Mrs B to invest too much of their available capital. He said Mrs B's reduced income would have made it more difficult for them to recover any significant losses incurred through their portfolio.

Barclays had said Mr and Mrs B retained a substantial cash reserve and still had a high level of monthly disposable income which would allow them to lessen the impact of any potential losses.

I thought carefully about that point. The adviser recommended that Mr and Mrs B retain about 25% of the lump sum in cash. With their existing savings, they would be holding over £40,000 in cash – about 20% of their total assets. In addition, 10% of their managed portfolio was held in cash and accessible if necessary.

Following her retirement, Mrs B's income had reduced by about a third. But Mr B's income remained the same and it appeared their monthly disposable income was still at least £1,500.

Overall, I thought Barclays made a suitable recommendation to Mr and Mrs B. They retained a large cash reserve which would enable them to cover any unexpected costs and gave them some capacity to absorb any losses they might incur from the riskier elements of their portfolio.

Mr and Mrs B had said it was too soon after Mrs B's retirement for them to be making investment decisions. But from the paperwork I'd seen, I thought they wanted advice on how to invest the lump sum Mrs B had received. And I'd not seen any evidence they were pressured into making a decision sooner than they wanted.

Mr and Mrs B were also unhappy that Barclays said Mrs B had retired on medical grounds, but also that she was in good health. Both comments were recorded on the fact find completed at the time, and I think it's most likely that's what Mr and Mrs B told the adviser. Based on the information I'd seen about Mr and Mrs B's circumstances at the time, that didn't change my decision that Barclays had made a suitable recommendation to them.

responses to my provisional decision

Neither Mr and Mrs B, nor Barclays, have commented on my provisional decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As neither party has offered any further comments, I can see no reason to change my findings. So, for the reasons set out in my provisional decision and repeated above, I've decided not to uphold Mr and Mrs B's complaint.

my final decision

For the reasons I've explained, my final decision is that I don't uphold Mr and Mrs B's complaint against Barclays Bank UK PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 3 January 2021.

Matthew Young
ombudsman