

complaint

Mr P complains the he was given unsuitable investment advice by Legal & General Assurance Society Limited (L&G).

Mr P is represented in this matter by a third party.

background

In 2007 Mr P sold shares he held for around £500,000. This, plus his existing savings gave him around £573,000 in cash. An adviser from L&G recommended that Mr P should invest £300,000 of his cash savings.

The adviser recommended that Mr P should invest in three L&G funds. He said Mr P should put £120,000 in the L&G's Distribution Fund, £120,000 in its Property Fund and £60,000 in its Distribution (Rising Income) Fund.

The suitability letter, sent to Mr P at the time the advice was given said:

"Your existing investments would suggest that you currently have a Minimal risk approach to investing, this you agreed with...Going forwards you are happy for the level of risk associated with your portfolio to increase to cautious because you understand that it is necessary to accept a higher degree of investment risk to achieve your long-term goals."

"... you have invested £300,000 of your minimal risk cash deposits into cautious and moderate risk funds with Legal and General. These meet all of your investment needs whilst achieving your goal for a cautious portfolio going forwards."

From the fact find information it appears that Mr P's investment objectives were capital growth and to provide an income when he retired.

In 2012 Mr P cashed in his L&G investments.

In late 2015, Mr P's representative complained to L&G. It said the investment advice he had been given was not suitable as Mr P was 'very risk averse'.

L&G did not uphold the complaint. It said it was satisfied that the advice given was suitable for Mr P's objectives and his attitude to risk.

It said the funds its adviser had recommended gave a well-diversified portfolio. It noted that following the advice around 17% of Mr P's savings were invested in equities, 11% in bonds, 24% in commercial property and 48% was left in cash.

Mr P's representative was not satisfied with L&G's response and referred the complaint to this service.

Our adjudicator did not recommend that the complaint should be upheld. She said that she felt the adviser had taken adequate steps to assess Mr P's circumstances, objectives and attitude to risk. She said, based on the information available, she felt the advice given had met Mr P's objectives.

She also said that the suitability letter set out that, in order to achieve his objectives, the level of risk associated with Mr P's portfolio would increase from minimal to cautious. She noted Mr P had agreed to proceed on this basis.

Mr P's representative did not accept the adjudicator's view and asked for the complaint to be determined by an ombudsman.

my findings

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, I have come to the same view as our adjudicator and for much the same reasons.

Having reviewed all the information available, I have not seen anything that would lead me to conclude that the advice Mr P received was unsuitable.

It is always disappointing when an investment does not perform as well as hoped. When Mr P cashed in his investments in 2012 he got back less than he had invested. However, this does not necessarily mean that the advice he received was unsuitable.

The suitability letter set out:

"You understand that non-cash asset classes can fall in value as well as rise and you accept this risk to achieve your investment goals."

And:

"It is important you understand that the value of your investment and any money you take to provide you with an income may go down as well as up. This could mean you get back less than your original investment."

I am satisfied that the risks associated with investing were explained to Mr P. If Mr P was not willing to take any risk with his money I would have expected him to have raised his concerns when he received the suitability letter in 2007.

Having carefully considered this matter I am satisfied that the advice given was in line with Mr P objectives and attitude to risk. I also think that the risks of investing were explained to him.

I don't think L&G has acted incorrectly in this matter. I therefore do not uphold this complaint.

my final decision

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 April 2016.

My decision is that I do not uphold this complaint.

Suzannah Stuart
ombudsman