complaint

Mr B complains Lloyds Bank PLC (Lloyds) ought to offer him compensation for wrongly advising him to put his money in an unsuitable investment.

background

The background and circumstances of this complaint are set out within my provisional decision of 2 February 2016. A copy of this is attached and forms part of this decision.

Lloyds didn't comment on my provisional decision.

Mr B disagreed with my view. He said that while he realises he hasn't suffered any loss, he thinks Lloyds has acted scandalously. Given the amount he invested, he should receive compensation of some 5% to 10% of the value of his investment.

my findings

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

I fully understand Mr B's frustration at what happened. But as I explained in my provisional decision, it is not my role, or this service's, to punish a business if it has made a mistake, but to ensure the consumer is suitably compensated i.e. gets their money back.

As I also explained, I'm not convinced Mr B suffered more than very small loss as a result of Lloyds' error, and it's on this basis that I proposed the modest compensation payment. I still believe this is reasonable in this case.

my final decision

I uphold this complaint, and instruct Lloyds Bank PLC to pay Mr B £250 for the trouble and upset caused as by its initial poor advice and subsequent handling of the policy review.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 April 2016.

Tony Moss
ombudsman
provisional decision

Mr B complains that Lloyds Bank PLC (Lloyds) ought to offer him compensation for wrongly advising him to invest in an unsuitable investment.

background

Lloyds approached Mr B in 2015 and said it had reviewed the advice it had given him to invest around £57,000 in two investment products, and concluded the recommendations may not have been suitable for him.

It said he had been recorded as a balanced risk investor whereas it now believed he ought to have been assessed as a cautious investor. It had therefore carried out a calculation to work out what his money might now be worth if it had been invested cautiously. To do this it had compared the return he would most probably have earned if his money had been put in fixed-rate bonds. By this comparison, he had not suffered any loss.

It said if Mr B no longer wished to keep his money invested in balanced risk funds, he could surrender them without exit charges. It would also pay any resultant tax liability.

Mr B didn't accept this offer as he said he was entitled to compensation for Lloyds' error. He said he had no investment experience and had been completely dependent on them to give him appropriate advice about to wisely invest his retirement money.

An adjudicator at this service did not feel the complaint should be upheld.

He thought Lloyds' calculation was fair, and he didn't feel Mr B had suffered any significant trouble or upset as he'd been unaware of the problem until Lloyds contacted him.

He explained that this service's responsibility was to ensure customers were fairly compensated for any losses arising from a business's mistake, but it was not our role to 'punish' or fine businesses for such mistakes.

As no agreement has been reached, this complaint has been passed to me for review.

my provisional findings

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

Lloyds' internal review concluded Mr B should not have been recorded as a balanced risk investor but a cautious one. Yet when it assessed whether Mr B had suffered any loss as a result of this error, it chose to compare the current value of his investment with the likely returns on a no-risk investment rather than a cautious one. So it used the wrong comparison.

It should instead have calculated the likely return if Mr B's money had been invested in a suitably cautious product. The appropriate comparison for this is to calculate the return if Mr B's money had been split equally between Bank of England fixed-rate bonds and funds reflecting the FTSE WMA Stock Market Income Total Return Index.

By this comparison, and according to my calculation, Mr B probably suffered a small loss (between £100 and £150 depending on the calculation date).

However, when the adjudicator spoke to Mr B he felt he was probably unwilling to have taken any risk with his capital, and Lloyds should have recorded him as a no-risk investor. By this criteria, he hadn't suffered a loss.

From the evidence I've seen, I don't feel it's possible to safely conclude whether Mr B should have been recorded as a cautious investor or someone not looking to take any risk with their investment.

If Lloyds was right and Mr B was a cautious investor, then he is entitled to more compensation. If it failed to correctly assess his attitude to risk, even when it reviewed his case, then this looks like a further mistake on its behalf.

Taking account of these factors, I am satisfied Mr B is entitled to a payment for trouble and upset in this case in full and final settlement of his complaint.

my provisional decision

I currently intend to uphold this complaint, and instruct Lloyds Bank PLC to pay Mr B £250 for the general trouble and upset caused as a result of its initial poor advice and subsequent handling of its review of his policy.

Tony Moss
ombudsman