complaint

Mrs S is unhappy about information she received from Santander UK Plc in 2011. She says she invested £20,000 into a Safety Growth Plan because she was told interest of 4% each year would be added - so she would receive at least £23,000 when the plan matured after 3¾ years. She since found out that 4% *overall* would be added as a minimum when the plan finished - not 4% a year.

background

Santander investigated the complaint and said it couldn't be sure Mrs S was made fully aware of the how the product worked - including how the return would be calculated. It offered to cancel the policy and give Mrs S her money back with a rate of return based on the average return from fixed rate bonds over the period.

Our adjudicator said he thought the offer Santander made was fair. But Mrs S remained unhappy and wanted the amount she says she was originally told she would get.

So I'm now making a final 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. Having done so, I think the offer Santander made to put this right is fair. I explain why below.

I don't think it was made clear to Mrs S she might only get an overall return of 4% after 3¾ years. Mrs S says this certainly wasn't made clear. And Santander isn't convinced it was made clear either. So I think Santander did something wrong when it sold this policy.

But there isn't strong enough evidence to make me think it would be fair to ask Santander to pay the 4% each year Mrs S is claiming. Instead, I've thought about what might've happened if Mrs S had been given the *right* information about how the return would be calculated.

What Mrs S has told us doesn't make me think she'd have agreed to this policy if she'd known she might only get a return of 4% after 3¾ years. But I still think she'd have wanted her capital protected in some way. And this tends to limit the returns a person might get. It's not possible to say *precisely* what she would have done differently. But I am satisfied that the principles of Santander's proposal (which should be updated now the policy has matured) are fair and reasonable in the circumstances.

what should Santander do?

To compensate Mrs S fairly, Santander must:

- Compare the performance of Mrs S' investment with that of the benchmark shown below and pay the difference between the *fair value* and the *actual value* of the investment. If the *actual value* is greater than the *fair value*, no compensation is payable.

- Pay interest (on which income tax may be payable) as set out below.

investment name	status	benchmark	from ("start date")	to ("end date")	additional interest
Safety Growth Plan	matured	average rate from fixed rate bonds	date of investment	date of maturity	8% simple per year on any loss from the end date to the date of settlement

actual value

This means the actual amount paid from the investment at the end date.

fair value

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

To arrive at the *fair value* when using the fixed rate bonds as the benchmark, Santander should use the monthly average rate for the fixed rate bonds with 12 to 17 months maturity as published by the Bank of England. The rate for each month is that shown as at the end of the previous month. Those rates should be applied to the investment on an annually compounded basis.

why is this remedy suitable?

I think this remedy is suitable because:

- Mrs S wanted to achieve a reasonable return without risking any of her capital.
- The average rate for the fixed rate bonds would be a fair measure given Mrs S' circumstances and objectives. It does not mean that Mrs S would have invested only in a fixed rate bond. It is the sort of investment return a consumer could have obtained with little risk to their capital.
- The additional interest is for being deprived of the use of any compensation money since the end date.

my final decision

My decision is that Santander UK Plc should pay Mrs S the amount calculated as set out above (providing her with details of its calculation in a clear, simple format).

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs S either to accept or reject my decision before 13 November 2015.

Graham Booth
ombudsman