

## **complaint**

Mr B's complaint is about a "key facts" document produced by Strathearn Insurance Services Limited ("SISL") in relation to insurance provided as part of an investment he made. In summary, Mr B says that SISL failed to disclose material information and provide appropriate risk warnings in the document. He says he relied on the document, and had the disclosures been made and the warnings given, he would not have made the investment. On this basis, Mr B feels SISL is responsible for the loss he suffered by making the investment.

## **background**

Mr B is a member of IPIN Global Prospects Network ("IPIN"). This is an investment network which aims to provide property investment opportunities to its members. The investment opportunities were typically to fund property developments such as hotels, student accommodation and residential care homes by way of a cash deposit. The deposits were initially sent to a law firm to be held within an escrow account. The developer then would draw the money down, when needed, to finance the project. The property units would be sold by the developer before a set date and the investor would get the money they deposited back, along with a share of any profits from the sale of the development.

IPIN marketed its schemes as having "secure exit strategies" ("SES"). A key characteristic of this was protection offered to the investors. This involved the money invested being held in the escrow account until an insurance policy was taken out by the property developer to protect the invested funds. Once the insurance was taken out, the developer was able to access the money. If a project failed or the developer defaulted, the investors - who were named as the beneficiaries of the insurance contract - could claim any difference between the deposit paid and any money already returned to them from the insurer. The insurance was called a Property Deposit Bond ("the bond").

Mr B invested in Scheme A in May 2012 paying a deposit of about £47,000. An insurer based in Nevis in the West Indies, Northern & Western Insurance Company ("NWIC") underwrote the insurance provided by the bond. The literature provided by IPIN in relation to the investment included the following:

*The SES application at the [Scheme A] uses a Property Deposit Bond to protect 100% of the deposit funds invested by SES investors in the event that the developer defaults upon his obligations within the applicable purchase agreements.*

*The Property Deposit Bond is arranged on behalf of the developer by Strathearn Insurance Services Limited. Due to the regulated nature of the product offered any direct questions relating specifically to the bond aspect of the SES offering should be directed to Strathearn Insurance.*

*Please see Key Facts document issued by Strathearn Insurance overleaf.*

The *Key Facts document* (which I'll refer to as "the KFD") included the following:

*Strathearn Insurance is a specialised advisory services company dedicated to residential and commercial real estate markets. The company's solutions are supported by leading international specialty insurance groups.*

***Is Strathearn Insurance regulated?***

*Strathearn Insurance operates with FSA Registration number 514675. You can check this on the FSA's Register by visiting the FSA's website [www.fsa.gov.uk](http://www.fsa.gov.uk) register or by contacting the FSA on +44 (0) 845 606 1234.*

***Whose products do Strathearn offer?***

*In relation to [Scheme A] SES application Strathearn Insurance only offer a product from a single international insurance company.*

***What services will Starthearn Insurance provide you with?***

*Strathearn Insurance recommends that you accept this policy, as it is designed to work specifically with the investment proposal developed for IPIN SES investors. Strathearn Insurance does not offer advice on the SES investment proposal, the associated contracts or their interpretation.*

*You are recommended to obtain independent legal advice on all associated contracts, and the duties, responsibilities and obligations of the parties to the contracts.*

***How is Strathearn Insurance paid?***

*Strathearn Insurance is paid through a commission payment from the insurer. This amounts to approximately 11% of the premium paid by the developer on your behalf. The insurer has a Managing General Agent in the UK who also receives a commission payment paid by the developer.*

***Who owns Strathearn Insurance?***

*Strathearn Capital Ltd owns 100% of the Strathearn Insurance Limited share capital. No insurer owns any share in Strathearn Insurance or its parent company.*

***Is Strathearn Insurance covered by the Financial Services Compensation Scheme (FSCS)?***

*Strathearn Insurance is covered by the FSCS. You may be entitled to compensation from the scheme if Strathearn cannot meet their obligations. This depends on the type of business and the circumstances of the claim. Insurance advising and arranging is covered for a maximum of 90% of the claim, without any upper limit. Further information about compensation scheme arrangements is available from the FSCS.*

Mr B was due to receive a repayment of his money by 18 May 2015, but this didn't happen. Later (September 2015) the company behind Scheme A went into administration. NWIC went into liquidation before this, on 16 January 2015. After he became aware the company behind Scheme A had gone into administration Mr B was told by the liquidator of NWIC that there was no chance of a claim on the bond being honoured.

Mr B complained to SISL. He said the KFD had recommended he take the insurance provided by the bond, and he based his decision to invest solely on this recommendation, and the facts that had been disclosed about the bond. He said there was no mention in the KFD that the insurer was not FCA regulated or covered by the FSCS.

In response SISL said it had no relationship with Mr B, it had not sourced the bond, and full disclosure about the product and insurer had been provided. After Mr B's complaint was

referred to us, SISL objected to us considering it, as it did not consider the complaint to be within our jurisdiction.

I issued a provisional decision in January 2019. I was satisfied that Mr B's complaint was one I could look at. Turning to the merits of the complaint, my provisional finding was that the KFD was not clear or fair, and was misleading. I also thought it did not pay regard to Mr B's interests. I found that it was reasonable for Mr B to rely on the KFD and that he likely did rely on it. And that if the KFD had been clear, fair, and not misleading, and had SISL acted in Mr B's best interests, he would not have gone ahead and made the investment. A copy of my provisional findings is attached, and forms part of this decision.

Mr B said he accepted my provisional decision, and had nothing further to add.

SISL did not accept the provisional decision. Its representative said, in summary:

- On the matter of jurisdiction, SISL recognises that this has been considered by this service in the jurisdiction decision in a similar case. Notwithstanding this, it does not accept that Mr B falls within the ordinary meaning of a client. There was no retainer of SISL by the consumer and no remuneration was paid by the consumer to SISL.
- The context of the investment needs to be taken into account. The members of the IPIN network tend to be high net worth / sophisticated investors who are familiar with 'property club' type investments. SISL understood that the IPIN members had self-certified to IPIN that they were aware of the risks of making investments of this nature and they invested via IPIN because they sought a high rate of return, something which is inevitably associated with increased level of risk.
- The investors typically received advice from other parties including their lawyers, IPIN and potentially, independent financial advisers and that is something that needed to be taken into account.
- The provisional decision appears to regard the KFD as if it had either been a 'policy summary' or 'key features document' as defined the FCA Handbook. It is actually Initial Disclosure Document and should be treated as such. It is unfair to judge it against the standard of another type of document which it never purported to be.
- It cannot be said that Mr B relied on the KFD as it appears quite possible that if the same bond had been in place and he was told of the bond but the KFD had not been present, he would still have gone ahead with the investment.
- Each investor was required to sign their acceptance of the surety bond and the provider's name and address were displayed on the document the investor signed.

#### **my findings**

I've first reconsidered all the available evidence and arguments to decide whether this complaint is one I can look at. Having done so, I see no reason to depart from the conclusions I reached in my provisional decision.

#### **can we consider the complaint?**

As I explained in my provisional decision, SISL had objected to this service considering this complaint, and a number of others similar to it. It said Mr B wasn't its customer, the deposit

protection insurance wasn't a regulated product and that it did not carry out any regulated activity.

This was considered at length by us in another similar case and SISL recognises that the jurisdiction issues that are relevant to this case have been considered in the jurisdiction decision in that case. So I do not want to repeat those findings here. I remain of the view that this complaint is within our jurisdiction for the reasons I mentioned in my provisional decision. I will however address the points raised by SISL following my provisional decision.

SISL says that Mr B does not fall within the ordinary meaning of a client, there was no retainer of SISL by the consumer and no remuneration was paid by him to SISL.

Our powers to consider complaints are set out in the Financial Services and Markets Act 2000 (FSMA) and in rules, known as the Dispute Resolution Rules (DISP) written by the FCA in accordance with the powers it derives from FSMA.

DISP2.7.1R says:

*A complaint may only be dealt with under the Financial Ombudsman Service if it is brought by or on behalf of an eligible complainant.*

An "eligible complainant" is defined by DISP 2.7.3R as person who is a "consumer", which means *"any natural person acting for purposes outside his trade, business or profession"*.

And DISP 2.7.6R says:

*To be an eligible complainant a person must also have a complaint which arises from matters relevant to one or more of the following relationships with the respondent:*

- (1) the complainant is (or was) a customer.. of the respondent*
- (2) the complainant is (or was) a potential customer... of the respondent*

.....

- (5) the complainant is a person for whose benefit a contract of insurance was taken out or was intended to be taken out with or through the respondent*

Mr B was a beneficiary under a contract of insurance. And for the reasons already explained, I am satisfied that the contract of insurance was taken through SISL. So I consider that Mr B is an eligible complainant under DISP 2.7.6(5)R.

It may be that no remuneration was paid directly by Mr B but often insurance brokers are paid commission by the insurer and that is what happened here. SISL was paid commission by the insurer NWIC. As stated in the KFD the commission was paid by the developer to NWIC. As I understand it, the premium for the policy was a percentage of the deposit paid by Mr B and, of this, some was retained by NWIC and some was paid as commission to SISL.

In addition, I also consider that Mr B is an eligible complainant under DISP 2.7.6(2)R. It may be that there was no 'retainer' of SISL by Mr B but I am satisfied that he was a potential customer of SISL and therefore an eligible complainant under the DISP rules.

SISL in its capacity as a regulated insurance intermediary offered its services to potential customers. It said in the KFD:

*Due to the regulated nature of the product offered, any direct questions relating specifically to the bond aspect of the SES offering should be directed to Strathearn Insurance using the contact details below..*

And:

*... The FSA requires you to be provided with this information. Use this information to decide if our services are right for you*

It also referred to our service in the event of any complaint and to the FSCS in the event SISL could not meet its obligations. Thus I am satisfied that SISL saw the recipients of the KFD of the specific schemes as its potential customers.

It may be that Mr B did not eventually approach SISL but SISL made its services available to him in its capacity as the regulated firm. And as noted earlier, SISL was paid commission in relation to the deposits made, whether or not the respective investors contacted it.

Taking all of this into account, it is my view that Mr B was a potential customer of SISL and therefore eligible complainant under DISP 2.7.6(2)R as well.

I have therefore reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I see no reason to depart from the conclusions I reached in my provisional decision on this either. I will detail my reconsideration of things below.

### **relevant considerations**

Having reconsidered what are the relevant considerations, I remain of the view that they are as set out in my provisional decision. For completion, I have set them out again below.

I am required to determine this complaint on the basis of what I consider to be fair and reasonable in all the circumstances. When considering what is fair and reasonable, I am required to take into account relevant law and regulations; regulator's rules, guidance and standards, and codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

The KFD was clearly intended as the source of information about the bond for potential customers thinking about investing in Scheme A. And I'm satisfied that SISL knew this.

The FCA handbook sets out the Principles which are a general statement of the fundamental obligations of the firms it regulates, such as SISL.

Principle 7 says:

*A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear fair and not misleading"*

Client is defined as a customer and it includes potential client (and so potential customer). So SISL had an obligation to ensure that it communicated information in a way that was clear, fair and not misleading.

I consider that Principle 6 is also relevant here. That says: *"A firm must pay due regard to the interests of its customers and treat them fairly."* As SISL knew that potential customers were being referred to the KFD for information about the bond it had to consider the interests of those potential customers.

**was the information SISL provided clear, fair, and not misleading and did it pay regard to Mr B's interests?**

For the reasons given in my provisional decision, I remain of the view that the information SISL provided in the KFD was not clear or fair, and was misleading.

SISL says that what it provided was an Initial Disclosure Document. But the KFD was referred to as a key facts document by SISL itself on more than occasion. The literature provided by IPIN also refers to it as a key facts document and not as an Initial Disclosure Document.

In any event, as I explained in the provisional decision, the KFD was clearly intended as the source of information about the bond for potential customers thinking about investing in the schemes and SISL was aware of that. So I consider that SISL had an obligation to ensure that this communication was clear, fair and not misleading.

**what is the impact of this?**

Having concluded that the KFD was not clear or fair, and was misleading, I need to reconsider how much reliance Mr B placed on this document before he decided to make the investment.

For the reasons set out in my provisional decision I think it is reasonable to conclude that Mr B looked at the KFD, and relied on it when he decided to proceed with the scheme.

SISL says that members of the IPIN network were frequently high net worth / sophisticated investors who were familiar with "property club" type investments. It says that they were aware of the risks they were taking and had sufficient advice to make informed decision.

SISL has also said that investors typically received advice from other parties including their lawyers, IPIN and potentially other independent financial advisers, and that is something the investigator failed to take into account.

As previously mentioned, in the marketing literature IPIN clearly directed the potential investors towards SISL for information about the bond and not to other professionals. As I understand it, IPIN was concerned that it or other related companies should not provide information or advice in relation to the insurance as they were not authorised by the FCA in that regard. This was why SISL was brought in to handle that part of the scheme.

Also, as noted earlier, the KFD recommended that consumers seek independent advice on the investment proposals and contract. However for information about the bond they were directed to seek information from SISL.

Given all this, it seems to me that the clear intention was that SISL was responsible for providing information about the bond, and that it was understood that investors would rely on this information. I have seen no evidence to show Mr B relied on anything other

than the KFD when considering the bond, as part of his overall consideration of the investment. And, although Mr B could reasonably have been described as an investor of some knowledge and experience, I do not think that means he was not entitled to rely on the KFD – in particular the recommendation that he accept the policy from the specialist insurance broker, SISL.

I think it also needs to be made clear that I am considering a complaint against SISL, not any other party. And I need to decide what is fair and reasonable in the circumstances of that complaint. If I decide SISL has done something wrong and, but for that, the investment would not have gone ahead, it may be fair to ask SISL to compensate Mr B for the investment loss even if other parties were involved. And I am satisfied it is fair to do that in the circumstances of this complaint.

SISL has also argued that Mr B would still have invested even if the KFD had not been provided, simply in the knowledge that a deposit bond was in place. I think it unlikely that Mr B would have proceeded without knowing any details of the bond – it was those details, provided by SISL, which I think gave him the assurance he needed to proceed. As I mentioned in my provisional findings, I am satisfied Mr B was looking for a low risk investment. And I think it unlikely he would have concluded the investment was low risk without the details provided in the KFD – it was those details rather than the existence of the bond per se which gave Mr B the assurances he would have been looking for.

SISL has also pointed us to the bond schedule that was signed by the investors. It says that the schedule provided the name and address of the insurance company and so Mr B ought to have known that the insurer was an overseas insurer. I accept Mr B may have been aware NWIC was based overseas. But I do not think that means that he was not entitled to rely on the assurances given in the KFD by SISL, particularly given the KFD formed part of the pre-sale literature, whereas the schedule was not given to Mr B until after he had invested.

For completeness, I should again confirm that although I am referring to the insurance in the context of the overall investment in Scheme A, it is the role played by the bond and the information provided in relation to the bond which was the key consideration here. My consideration was focused on the information provided by SISL in the form of the KFD, as that is the basis of Mr B's complaint.

## **summary**

In summary, for the reasons given here and in my provisional decision, I find that:

- When Mr B decided to invest in the property scheme he was looking for a low risk investment.
- The underlying investments in properties offered potential for growth but they carried higher risk of capital loss. That would most likely have not suited Mr B's risk appetite. However security of capital was provided through the bond.
- I am satisfied that Mr B would have wanted to consider the information provided in relation to the bond before deciding to invest in the scheme. He was directed to look at SISL's KFD for information about the bond, and says he did this. So I consider it reasonable to conclude that he relied on that information along with SISL's recommendation that he accept the policy in deciding to invest in the scheme.

- SISL knew or ought to have known that it was the KFD potential investors were directed to for information about the bond. So it had an obligation to ensure that the KFD was clear, fair and not misleading. For the reasons already explained, the KFD did not provide clear, fair and not misleading information about the bond.
- The scheme failed and NWIC has been liquidated. Mr B has suffered a loss as a result. I consider it more likely than not that had SISL provided clear, fair and not misleading information about the risks involved with the bond, he would not have invested in the schemes. So it is fair that SISL compensate him for the loss.

### **fair compensation**

In assessing what would be fair compensation, I consider that my aim should be to put Mr B in the position he would have been in but for SISL's failure.

For the reasons I have explained above, it is my conclusion that, if it were not for the failings of SISL, Mr B would likely not have invested in Scheme A. So Mr B should be put in the position he likely would be, had he not made the investment.

I am satisfied Mr B was looking to invest his money, so I think he would have invested elsewhere, but with capital protection. It is not possible to say precisely what he would have done differently. But I am satisfied that what I have set out below is fair, given his objective for growth with little risk.

To compensate Mr B fairly, SISL should calculate the position Mr B would now be in if his investments had produced a return matching the average rate for fixed rate bonds with 12 to 17 months maturity as published by the Bank of England.

I have chosen this method of compensation because in my view the average rate would be a fair measure, given Mr B's circumstances and objective. It does not mean that Mr B 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.

To calculate compensation, SISL should work out what the amount Mr B invested in Scheme A would be worth at the date of this decision, had it received a return matching the average rate for fixed rate bonds with 12 to 17 months maturity as published by the Bank of England.

Any amount received by Mr B from the scheme should be deducted from the fair value at the point it was actually paid so it ceases to accrue any return in the calculation from that point on.

I understand Mr B has received three payments from the administrators of Scheme A. He should confirm this, and the exact amounts received, to allow SISL to carry out the calculation.

I do not believe Mr B's investment in Scheme A has any realisable value currently. So no allowance should be made for value of the investment when making the calculation. SISL can however, in return for the compensation, ask Mr B to undertake to pay to it any future returns he receives in relation to the investment. Mr B should agree to give this undertaking, if he is asked to.



**my final decision**

For the reasons given, my decision is that this complaint should be upheld. Strathearn Insurance Services Limited should calculate and pay compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 29 April 2019.

John Pattinson  
**ombudsman**

### **Copy of my provisional findings**

As mentioned, SISL has previously objected to us considering this complaint. In short, it has said Mr B wasn't its customer, and that the bond wasn't a regulated product.

SISL's objections were considered at length by us in another similar case. I understand SISL accepts the jurisdiction issues that are relevant to this case have been considered in the jurisdiction decision in that case, and that we do have jurisdiction to consider complaints such as Mr B's. So I will not consider jurisdiction in detail here. However, for completion, I confirm I am satisfied that Mr B's complaint is within our jurisdiction. In summary, I am satisfied that that Mr B is an eligible complainant, the bond is a contract of insurance and that SISL carried out the regulated activity of arranging (bringing about) deals in investments and/or making arrangements with a view to transactions in investments.

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

### **relevant considerations**

I am required to determine this complaint on the basis of what I consider to be fair and reasonable in all the circumstances. When considering what is fair and reasonable, I am required to take into account relevant law and regulations; regulator's rules, guidance and standards, and codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

The KFD was clearly intended as the source of information about the bond for potential customers thinking about investing in Scheme A. And I'm satisfied that SISL knew this.

The FCA handbook sets out the Principles which are a general statement of the fundamental obligations of the firms it regulates, such as SISL.

Principle 7 says:

*"A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear fair and not misleading"*

Client is defined as a customer and it includes potential client (and so potential customer). So SISL had an obligation to ensure that it communicated information in a way that was clear, fair and not misleading.

I consider that Principle 6 is also relevant here. That says: *"A firm must pay due regard to the interests of its customers and treat them fairly."* As SISL knew that potential customers were being referred to the KFD for information about the bond it had to consider the interests of those potential customers.

### **was the information SISL provided clear, fair, and not misleading and did it pay regard to Mr B's interests?**

Mr B says:

- The KFD reassured him as it said the policy was recommended by an FCA regulated business (SISL).
- This led him to believe that the policy would have the same level of protection as that provided by insurers which had underwritten previous IPIN schemes he invested in.
- But for the recommendation and the statements in the KFD, he would not have invested in Scheme A.

Having considered everything, I am minded to agree that the information provided in the key facts document was not clear or fair, and was misleading.

There is no mention in the key facts that the insurer was NWIC. The document does not say that NWIC was not regulated by the FCA. And there was no warning that should NWIC fail to meet its obligations, consumers would be unable to claim their losses under the FSCS.

Also, considering that this was the document that the potential customers were referred to in the marketing literature for an explanation of the bond, it would be reasonable to expect that it explained the key terms and conditions of the policy. But that wasn't the case.

So I do not think the KFD was clear – it omitted key information. And I think it was unfair to omit that information, and misleading. Acting fairly and reasonably, SISL should have ensured the KFD was clear, fair, and not misleading by including this key information.

SISL has also provided us with a copy of what is described as an 'Amended particulars of Claim'. This appears to relate to a claim made before the high court against a law firm, about some of the IPIN schemes. This suggests that at around the time when SISL produced the KFD of Scheme A there was publicly available information that raised serious concerns about the appropriateness of NWIC as the bond provider and whether NWIC would be willing and able to honour its obligations under the bond. It mentions that a simple Google search at the time would have revealed that it had been reported that NWIC had failed to pay claims.

The KFD said: "*Strathearn Insurance recommends that you accept this policy, as it is designed to work specifically with the investment proposal developed for IPIN SES investors*".

I do not think it was fair, or in the best interests of Mr B, to make such a recommendation without carrying out some checks on NWIC, and highlighting the potential risks. Acting fairly and reasonably, SISL should have balanced its recommendation to potential customers to accept the policy with explanation of the potential risks. If it was known at the time that NWIC might be in difficulty, it would have been fair to include a warning about this potential risk in the KFD.

### **what is the impact of this?**

Mr B says he relied on the key facts document before making his decision to invest. When Mr B discovered IPIN, he says he had been considering investing in the UK buy-to-let property market. But he was nervous about how this had been affected by the recession and the risk of making a loss. Mr B says the mechanics of IPIN's SES schemes offered him the potential for a fixed return, with guaranteed capital security, and none of the expensive start-up costs normally associated with property investment. So I think Mr B was looking for a low-risk investment at the time he invested in Scheme A.

The schemes were marketed as "*low risk exposure*" and it is clear from the promotional literature that the protection offered through the bond was a key selling point to convince potential customers that the schemes were low risk.

Mr B also invested in a previous IPIN scheme which was underwritten by a UK insurance provider. I have seen the literature provided by IPIN for that scheme. It did not include a key facts document, such as the KFD. However it did provide some information about the insurance, which Mr B says he was reassured by.

As it happens, the developer in that scheme did go into liquidation. And the insurance, provided by a large FCA regulated insurer, covered by the FSCS, did cover Mr B's losses.

So Mr B was clearly seeking a low risk investment. And I think the protection offered by the bond in relation to Scheme A would have been very important to Mr B.

I also think it likely that Mr B based his decision to invest in reliance on the KFD, as he says. He'd previously invested in an IPIN investment, which had worked as anticipated, and says he based his decision to invest on that occasion on the material provided by IPIN. I think it likely he acted similarly when making the investment in Scheme A. As the previous investment decision had been based on the IPIN literature, and had been sound, there was no reason why Mr B would not again base his decision on the literature provided by IPIN.

However for Scheme A the insurer was very different. And IPIN directed Mr B, and other consumers like him, to SISL's KFD for information about the insurer and the insurance.

The literature clearly portrays SISL as the entity that potential investors needed to look to for information about the bond. SISL also portrayed itself in the KFD as *"a specialised advisory services company dedicated to residential and commercial real estate markets"*. SISL also said *"The company's solutions are supported by leading international speciality insurance groups"*. So it is clear SISL was portrayed to potential customers as an expert.

In the KFD SISL also told the potential customers that they should accept the policy as it was *"designed to work specifically with the investment proposal developed for IPIN SES investors"*.

SISL also referred separately to the insurance and the overall investment proposition in the KFD. In doing this I consider it was drawing a distinction between the insurance part of the scheme and the rest of the investment, to highlight that it was tasked with providing information about the insurance.

Mr B would have had a good general level of knowledge of the financial service regulatory regime, by virtue of his occupation (he was a mortgage broker). He also says in his submissions to us that he considers things very carefully. And that he has been engaged in a professional capacity to write and proof read literature for other property investments.

But I do not think this means that it was not reasonable for Mr B to rely on the KFD. As mentioned, he'd relied on the literature provided by IPIN before. So he would have taken comfort from that. And I think in the light of the assurance of the recommendation of the policy from the FCA regulated expert, SISL, Mr B had no cause to make any further enquiries about the insurer. I think he was content to make the investment, in the knowledge there was insurance to protect him if things went wrong, as there had been when he invested previously. And, to be clear, although I am referring to the insurance in the context of the overall investment in Scheme A, it is the role played by the bond and the information provided in relation to the bond which is the key consideration here. My consideration is focused on the information provided by SISL in the form of the KFD, as that is the basis of Mr B's complaint.

So I think SISL's failure to make the KFD clear, fair and not misleading, and failure to consider the interests of potential customers such as Mr B, has had a significant impact. I am satisfied that, but for this, Mr B would not have made the investment. Had the KFD been clear, fair and not misleading, and had consideration been given to interests of potential customers such as Mr B, I think Mr B would have been aware of a number of risks. Crucially, Mr B would have had cause to question whether the investment was as safe as the one he had previously made, and met his low risk objective. I think that his awareness of those risks would have led him to conclude there were significant material differences between this investment and the one he had made previously – and that those differences meant the risk was higher. Given his desire not to risk capital loss, I think that would have led Mr B to conclude he should not make the investment.

So, if it were not for the failings of SISL, I don't think that Mr B would have invested in Scheme A. It is therefore fair for SISL to compensate Mr B for the loss he suffered through making the investment.