

complaint

Mr H complains that Nationwide Building Society's advice to invest in a Guaranteed Equity Bond was unsuitable.

Mr H is being represented by a claims management company (CMC).

background

Mr H complained that the advice to invest in the World Guaranteed Equity Bond in 1999 wasn't suitable because it exposed him to more risk than he was able or willing to take. He also complained that the investment was too complex for him and he didn't understand that it was unlikely he would make a return.

One of our investigators looked into the complaint but didn't think it should be upheld.

The CMC on behalf of Mr H didn't agree. In short, it said:

- There was no questioning of Mr H's attitude to risk at the time, nor any risk profiling. Mr H's investment experience amounted to *'a small PEP and a mortgage endowment'*.
- The product had a cap on gains yet unlimited falls which meant it wasn't appropriate. The CMC said that in order to achieve the maximum return, *'the indices needed to consistently grow in a way that had never happened in the history of stock markets'*.
- The product was weighted too heavily towards overseas stock markets, which Mr H had no knowledge of, and so this wasn't suitable.
- The product *'was dependent on the return from the cash indexes as opposed to the total return index, and therefore excluded the impact of dividends'*.
- Mr H had the option at the time to invest in a *'100% safe, fixed term deposit account'*. This would have *'guaranteed a significant positive return'*. The CMC said this meant that Mr H was *'gambling with this guaranteed return and it must be considered whether it was suitable to gamble with this guaranteed return by investing in the Equity Bond'*.
- The complaint was ultimately that *'the advisor should have considered [completely safe alternatives] and that clear, fair and not misleading information was not presented'*.

As the investigator wasn't minded to change his view, the case was passed to me to consider.

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 agree with the investigator and for broadly the same reasons.

I've considered the CMC's comments, but I haven't been persuaded. I don't see why the bond couldn't have made a return over the period in question. The fact that it didn't isn't of itself a reason to consider advice to invest in it unsuitable – especially as the reasons it didn't make a return were largely due to the fact that the markets it was linked to performed poorly over that period. But this is an investment risk. The question is, was Mr H willing and able to

take a risk of his investment not generating a return. And did the bond meet his objectives in a way that was in line with this.

The evidence I've seen suggests that Mr H agreed he had a 'balanced' attitude to risk – in other words he was prepared to take a moderate degree of risk, and have a certain amount of exposure to equities. But in the additional information section of the fact find, I can see that Mr H indicated that he wanted '*a guarantee of capital with some of the monies being invested over the longer term*'.

It seems to me that the suitability report explains clearly that the reason the bond was being recommended was because it had a potential to generate a return on the investment without any risk to the capital. I think this is line with Mr H's balanced attitude to risk but also takes into account his desire not to put his capital at risk.

I acknowledge that, with the benefit of hindsight, there may well have been other more profitable options. But I don't consider this means the advice was unsuitable. I'm satisfied it was in line with Mr H's attitude to risk and investment objectives. And I consider that the possibility that the bond may, as a minimum, only return the invested capital was explained to him.

For these reasons, I'm satisfied it wouldn't be fair and reasonable to uphold this complaint.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 November 2017.

Alessandro Pulzone
ombudsman