

complaint

Mr C complains about the bonds he was sold by Nationwide Building Society in 2009 and 2010. He said he was unaware at the time that the bonds had six year fixed terms which means they mature after his intended retirement age of 65.

Mr C is represented by a claims management company ("CMC").

background

Mr C met with a Nationwide adviser in 2009 and completed a fact find. At that time he was aged 60, employed and had around £42,000 in assets. His attitude to risk was assessed as low. The fact find records that he held a guaranteed equity bond, which had just matured. And he wished to invest the proceeds, along with a cash Individual Savings Account ("ISA"), into another guaranteed equity bond.

The adviser recommended that Mr C invest in a Legal and General ("L&G") capital guaranteed multi-index equity bond, with a portion of the funds invested through an ISA. The term of these investments was six years.

In 2010, Mr C invested around £5,000 through an ISA into another L&G stockmarket-linked bond. The term of this investment was also six years. There's no record of Mr C having received advice at this time.

Nationwide didn't uphold the complaint. They said the sale in 2009 was suitable for Mr C's low attitude to risk. And they said they hadn't given advice in 2010. So Mr C was responsible for ensuring the bond suited his needs.

One of our adjudicators investigated the complaint. He didn't recommend upholding it as he thought the bonds were suitable for Mr C's needs and circumstances at the time. The CMC disagreed with this view citing several other similar complaints considered by this service where it said different conclusions had been reached.

The adjudicator responded addressing the points raised. As the CMC still didn't agree, the complaint has been referred to me for 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'm not going to uphold it. I explain why below.

the 2009 investment

In this case, there's no debate that this was an advised sale. So the advice had to be suitable for Mr C's circumstances and attitude to risk at the time.

At that time, Mr C was 60, employed and had around £42,000 in assets. The recommendation letter says more than once that he wanted to invest his chosen sum for the longer term – six years or more. The fact find recorded that although he was due to retire at 65, this wasn't obligatory and he could stay longer.

Mr C's objectives are summarised as:

"You want to invest £20,696 for the longer term - 6 years or more into something that had a fixed term and that the original amount was guaranteed at maturity. You do not want to invest your money into something that did not have a guarantee, as you do not want the value of your investment to go down. You did not want money invested across different investments or asset classes and you are happy to invest the full sum in one product".

Mr C had experience of this type of product having previously invested in one that had just come to maturity. The fact find records that he wanted to invest in another one. He also required a guaranteed return, which this product provided. I'm satisfied that the bond recommended met these objectives. But even if it was what he wanted, it still needed to be suitable for his circumstances.

The fact find records that Mr C didn't need access to the capital and he retained some savings in a savings account. Given the capital guarantee, I think it was also suitable for Mr C's "low" attitude to risk. Overall, I'm satisfied that Mr C was in a strong enough financial position to be able to invest for six years.

From Mr C's submissions to the CMC, it seems he now wishes he'd invested over a shorter term. But based on what he told Nationwide, I don't think their advice was unreasonable at the time. And in my view, the recommendation letter sets out the fixed term clearly in several places. It says, for example: *"The Guaranteed Equity Bond ISA has a fixed term. You must be sure you can leave your money invested for the full fixed term of the bond"*. I think this, and similar statements, should reasonably have drawn Mr C's attention to the fact that he wouldn't be able to get at his money for six years.

The CMC has been keen to draw my attention to the Financial Conduct Authority (FCA)'s guidelines on structured products, particularly regarding diversification. I've considered these. But I note the review in question was only published in October 2009, after the date of the first sale complained of here. So I can't reasonably criticise Nationwide for not being aware of them at the time. In any case, they contain examples of failings and good practice rather than rules.

The CMC takes the view that Nationwide advised Mr C to invest too much in one product. The recommendation shows that Mr C didn't want to spread his money. And I'm satisfied, given the total sum involved and his desire for capital protection, that this wasn't unreasonable.

I do agree that Nationwide should ideally have discussed the issue of counterparty risk with Mr C. By this I mean the proportion of his money he was exposing to the risk of Legal and General failing. However, I don't think this alone is a reason to uphold the complaint, particularly given the fact that I believe both bonds have now matured and Legal and General continues to exist.

the 2010 investment

It's unfortunate that there's no documentation relating to the 2010 investment. The CMC would like me to conclude that the absence of a signed document saying Mr C didn't want advice means advice was given. But if Mr C was advised, I would have expected there to be

other documentation such as a fact find or recommendation letter. After all, there had been with his investment only a year before.

By 2010, Mr C had already invested twice in similar products. It wouldn't be surprising if he felt confident enough to go ahead without advice. So my finding is that it's more likely than not that advice wasn't given. And it was therefore up to Mr C to ensure the bond was suitable.

my final decision

My final decision is that I do not uphold this complaint.

Louise Bardell
ombudsman