

complaint

Mr W complains about advice given to him by the Prudential Assurance Company Limited to invest in a with-profits bond. Mr W invested a lump sum in 1997 and a further lump sum in 1999.

Mr W is represented by a claims management company that makes a number of points of complaint on his behalf. In summary it says:

- Mr W should not have been advised to tie up such a large proportion of his capital.
- Mr W did not want to take any risk with his capital.
- Mr W was not in a position to take risk as he had recently been made redundant and was intending to work with a reduced income.
- The adviser should have discussed alternatives such as fixed interest products.
- The product recommended was not suitable because of the way it was taxed.

background

Mr W met with a financial adviser from the business in 1997. The business recommended investing a lump sum in a with-profits bond. In 1999 he again met with a financial adviser and invested a further amount. In 2003 he cashed in his investment.

In 2015 a complaint was made to the business on Mr W's behalf. The business did not uphold Mr W's complaint. It said that Mr W had been given information about the investment product and that it matched his attitude to risk. It said that Mr W had been left with a good proportion of his capital remaining after investing in the with-profits bond.

Our adjudicator considered the complaint. She did not uphold the complaint as she did not feel the recommended investment was unsuitable taking into account Mr W's circumstances and objectives at the time.

The claims management company disagreed. It said that Mr W had been advised to invest too much of his available capital taking account of his circumstances. It also complained that he had been advised to invest all the money in one single product.

my findings

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

Mr W met with the business in 1997. A fact find was completed detailing his circumstances and objectives at that time. It was signed by Mr W confirming it was an accurate summary.

The fact find indicated that Mr W was in his fifties, married with no dependants and retired. It also recorded his wife's details. Mr and Mrs W's liabilities were a relatively small proportion of their income. There was no indication that they had a mortgage. The fact find also indicated that Mr W and his wife had savings and available capital in their accounts.

Mr W's objective was detailed on the fact find as investing a lump sum for growth over a period of 5-10 years. He was also recorded as having a very cautious attitude to risk which was described further in the document as *"In saving or investing to achieve my financial objective over a pre determined period of time. I want the potential of some real capital*

growth. I understand that to have this potential I need to take a small risk with the capital I invest.

The fact find also indicated that Mr W had been provided with the key features document and Mr W signed to confirm that was the case. The key features document set out the potential risks of this investment and made it clear that the amount received would depend on investment performance. It also set out in clear terms that cashing in early could leave the investor getting back less than they invested.

Mr W invested a significant proportion of his available capital in this product. However, he was still left with a sizable sum to cover unexpected expenditure. Whilst the fact find recorded he was retired it seems from what has been said on his behalf that he was seeking employment. In fact by the time Mr W made the further investment in 1999 he was employed. In addition Mr W and his wife had disposable income as their liabilities were relatively low compared to their income.

I am satisfied, taking into account Mr W's circumstances and what is recorded about his objectives that Mr W was seeking to invest for capital growth over a period of 5 years or more. I consider on balance that he was willing to take a small risk in order to try to achieve a better return on his lump sum. Overall, I am not persuaded that the product recommended was unsuitable given Mr W's objectives, attitude to risk and circumstances.

The nature of a with-profits bond is that the initial amount invested does not directly fluctuate in value with the movement of equities or the stock market. The increase in value of the bond is dependent on investment returns which are added in the form of bonuses. There will also be an element of smoothing where the bond provider holds back some of that investment return for future years in case of difficult trading conditions. These are factors which reduce the level of risk.

In addition Mr W was prepared to tie up his money for a number of years which meant he could wait and hope the investment would reach a point where it was performing reasonably before encashing.

I also note that the fact find recorded that the adviser explained that tax payable on the fund would not be able to be reclaimed by Mr W. I am satisfied therefore that this was explained to Mr W and I am not persuaded the way tax was paid made the product unsuitable for him.

Mr W met the business again in 1999 and made a further lump sum investment. It seems unlikely that Mr W would have made a further lump sum investment if he had been struggling to get by on his income and cash reserves.

A fact find was completed which recorded that Mr W was employed at that time, had capital available and disposable income. As the adjudicator has already set out in her view after investing the second lump sum in 1999 Mr W was left with a sizable amount in reserve.

Mr W also provided with a suitability letter which recorded his objective to obtain capital growth and an intention to invest for at least five years. The adviser also recorded that the features of the product had been discussed included the way tax could not be reclaimed. The suitability letter also recorded that the adviser had explained the key features document which outlined the aims and risk factors of the investment product. I am satisfied therefore that the recommendation was made in line with Mr W's objectives which were discussed at the time and that the risks of the investment were brought to his attention.

Overall, I am not persuaded on balance that the recommended investment in 1997 and further investment in 1999 were unsuitable for Mr W taking into account his circumstances and objectives at the time.

my final decision

My decision is that I do not uphold the complaint as I am not persuaded that the recommendations were unsuitable.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 27 June 2016.

Julia Chittenden
ombudsman