

## **complaint**

Ms S complains she received unsuitable advice from Nationwide Building Society because it exposed her money to more risk than she was able or willing to take.

Ms S is being represented by a claims management company.

## **background**

Ms S received £27,000 in 1998 as a result of an inheritance. She sought advice from Nationwide and met with an adviser to discuss her needs and circumstances. In discussing her attitude to risk, Ms S confirmed that she was willing to accept a 'moderate degree of risk in order to achieve a potentially higher return over the medium to longer term'.

Ms S worked part time and had no dependants or mortgage – she shared day to day expenses with her husband. She confirmed that she didn't require the inheritance to supplement her income, and was in fact looking to invest for growth.

Nationwide advised Ms S to:

- Place £7,000 in an instant access account to serve as an emergency fund.
- Invest £6,000 in a Nationwide bond over three years.
- Invest £3,000 in a tax exempt account (TESSA) with a five year term. This account also offered early access if required by Ms S.
- Invest £5,000 in a World Guaranteed Equity Bond over 6 years. This bond guaranteed the initial invested capital. Any return on the investment would be calculated with reference to the value of 6 stock market indices around the world.
- Invest £6,000 in a personal equity plan (PEP), with 50% of it invested in a UK Growth Fund and the other half in a Balanced Fund.

One of our investigators looked into Ms S's complaint. He considered that Nationwide's recommendations were suitable for her. In short, he disagreed that her funds had been exposed to more risk than she had been able or willing to take. He considered that only a small proportion of her investment was in fact exposed to equities – with the majority being held in easily accessible deposit based accounts. He also didn't consider the World Equity Bond to have been inappropriate for her. He considered that overall, her portfolio was spread over different assets, with some potential for the higher returns Ms S had indicated she was looking for, but with little prospect of significant losses.

The CMC, on behalf of Ms S, disagreed. It acknowledged that Ms S was prepared to invest in equity markets, but it considered the specific funds recommended were too high risk. It also didn't agree that the funds in the TESSA account were readily accessible.

## **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 adjudicator's overall conclusions and for broadly the same reasons.

Overall, when looking at Nationwide's recommendations, I think they suitably matched what Ms S was looking for as well as her tolerance for losses. It's clear from the letter Nationwide sent that the need to have some emergency funds on deposit was considered, which is why £7,000 was put in an instant access account. And considering her other investments, I agree

with the adjudicator that only the £6,000 in the PEP account were in fact exposed to stock market risk. That represented just over a fifth of her overall investment, and I'm not persuaded that was too much for Ms S – given that it's clear she was prepared to accept some risk and, in particular, was after investment growth.

When considering the suitability of Ms S's portfolio overall, I've taken into account the fact that a well-diversified portfolio may contain investments which, on their own, might represent more risk than an investor is willing to take. The key question is whether these investments unbalance the portfolio overall so as to make it unsuitable. I should say that I'm not persuaded the two funds Nationwide recommended were in fact only suitable for high risk investors as the CMC has claimed.

But in any event, Ms S's investment in these two funds was clearly balanced by cash investments with guaranteed returns, and the World Guaranteed Equity bond, which would return her capital as a minimum. So I'm satisfied that, overall, Ms S's investment wasn't exposed to an unsuitable level of risk – I'm persuaded that her money was invested very much with her objectives and her attitude to risk in mind.

I would also say that I don't agree that the World Guaranteed Equity bond couldn't achieve its stated objective. I think it was entirely possible for the relevant indices to increase in value over the six year period, thus giving Ms S the potential for higher returns on that portion of her portfolio without taking on any risk to her capital.

Overall, I'm satisfied that Nationwide's recommendations were suitable for Ms S and in line with her circumstances and her needs. So I don't agree that Nationwide should pay any compensation. I appreciate my decision will come as a disappointment to Ms S, but I hope she can understand why I've reached this decision.

### **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 Ms S to accept or reject my decision before 31 January 2019.

Alessandro Pulzone  
**ombudsman**