

complaint

In summary, Mrs L complains that investment advice given to her by Lloyds Bank PLC was unsuitable. She says:

- she was advised to invest too soon after going through a significant change in personal circumstances
- she was not given sufficient time to consider the recommendation
- she was advised to invest too much of her money and to take too much risk with that money, and
- the complexity of the product was unsuitable for an inexperienced investor.

background

In 2007 Mrs L inherited a sum of money. Along with her husband, she met with representatives of Lloyds to discuss their financial planning. Although Mr and Mrs L were both party to the assessment by Lloyds, the fact find recorded that the couple wanted the investment to be solely in Mrs L's name.

Mr and Mrs L were both in their 50s with two adult children and no dependents. Mr L was self-employed and Mrs L worked in connection with his business. They had a joint disposable income of £1470 per month. Overall, the value of their assets, including properties, was £486,000, of which Mrs L held approximately £192,000 on deposit.

Mrs L's attitude to risk was assessed as balanced, the third of six ratings, where the sixth was the most risky. A balanced profile was described as:

'These investments carry a risk of loss to capital value but have the potential for capital growth and/or income over the medium to long term. Typically they do not have any guarantees and will fluctuate in capital value.'

Following Lloyds recommendation, Mrs L invested £100,000 into Lloyds' discretionary managed Investment Portfolio Service (IPS). In line with her objectives and attitude to risk, investment through the Discovery Bond Profile was recommended. The bond's profile was described as:

'...a moderate risk investment and is one of the more balanced Profiles in the class. It's likely to be a popular choice with investors who, while keen to make use of their money's earning power, feel uncomfortable about exposing themselves to high levels of risk.'

Lloyds didn't uphold the complaint. It said overall its findings showed the investments were affordable, matched Mrs L's attitude to risk and were suitable for her objectives. It said that Mrs L had made cash withdrawals from the investment to support Mr L's business, following problems that occurred after the investment was made.

Our investigator didn't uphold Mrs L's complaint. He felt that the investment matched Mrs L's objectives and circumstances. And that she would've understood that she was taking some risk with her money in order to achieve potentially better returns than with a deposit account. He thought that Mrs L had sufficient capital available outside of the investment, so wasn't over-invested.

Mrs L didn't agree with the investigator, so the matter came to me for a decision.

I issued a provisional decision on 19 November 2018. I didn't uphold Mrs L's complaint. I made the following points:

- Mrs L's investment in the Discovery Bond Profile was consistent with her balanced attitude to risk and investment objectives.
- There was clear evidence of discussion about Mr L's business circumstances and I was satisfied that these had been taken into account as part of the fact find.
- Mrs L retained a significant sum on deposit – well above what the bank would normally advise.
- There was no indication that the investment was unaffordable.
- Given Mrs L's overall circumstances, I didn't think the advisor was wrong to assess Mrs L as a balanced investor or to recommend investment into the Investment Portfolio Service in line with her balanced approach.
- The way in which the investment was managed varied from the stated neutral asset allocation for the Discovery Bond Profile.
- As a consequence, Mrs L's portfolio appeared more risky in practice than the model portfolio profile.
- But I didn't think this made the investment unsuitable for Mrs L. She was paying Lloyds to manage her investment for her. And the portfolio remained within the parameters of what might be suitable for a balanced investor.
- There was no evidence to suggest that Mrs L would've acted differently had she had a detailed understanding of the risk profile of her investments.
- Taking all factors into account, I didn't think Lloyds had done anything wrong or acted unfairly towards Mrs L.

Lloyds responded to my provisional decision saying that it had nothing further to add.

Mrs L, through her representative, responded saying that she did not accept my provisional decision. In summary, her representative made the following points:

- Mrs L was an inexperienced investor and trusted the advice.
- She understood there would be fluctuations in value and was in a position to take risk.
- Mrs L should've been advised to take some risk but this should've been limited to a more cautious area, particularly given the increased exposure to equities in her actual investment.

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 haven't changed my provisional view. I'll explain why.

Neither party has provided any new evidence. Mrs L's comments, made through her representative, indicate that she understood she was putting her money into a risk-based investment. And she accepts she was in a position to take risk. She suggests that she was wrongly assessed and should've been invested more cautiously, potentially with exposure increasing over time.

But I don't think this view is consistent with the documentary evidence available from when the advice was given.

Mrs L was assessed as having a balanced investment approach. Her capacity for risk was rated as 'adventurous', presumably in view of her large cashing holdings, but her overall attitude to risk was 'balanced'. Like many investors, Mrs L's answers to the risk assessment could be said to reflect the desire for reward but reluctance for risk.

The adviser recorded that a balanced attitude to risk meant investment in both fixed interest securities and shares which, she noted, was needed to meet Mrs L's primary investment objective of growth. The portfolio would include making use of Mrs L's ISA allowance.

The fact find recorded that there were no expected changes to the investment and no changes anticipated to income or expenditure. And the suitability report recorded that Mrs L did not anticipate needing access to the money invested within a 5-10 year timeframe.

Mrs L began taking regular withdrawals from the fund relatively early on. But Mr L's business circumstances had been discussed at the planning meeting and had formed part of the overall assessment of suitability. So I'm satisfied this was taken into account in the recommendation and that the investment was affordable.

So given Mrs L's overall circumstances, I don't think the adviser was wrong to assess Mrs L as a balanced investor, or to recommend investment into the Investment Portfolio Service.

Mrs L wanted her money managed on a discretionary basis, meaning Lloyds was able to make investment decisions on her behalf. In my provisional decision I explained that the actual distribution of the portfolio varied from the stated neutral asset allocation. This isn't necessarily unusual – the neutral asset allocation being a model indicator – but it did mean that Mrs L was often invested in a higher proportion of shares than the neutral asset allocation.

But I still don't think this made the investment unsuitable for Mrs L. I think the portfolio remained within parameters suitable for Mrs L as a balanced investor. And in any event, I've not seen any evidence from the time to indicate that, even if she'd had a very detailed understanding of her investment profile, Mrs L would've acted differently. So in the circumstances of Mrs L's case, I don't think this made the way the portfolio was managed unsuitable.

So overall, I don't think Lloyds has done anything wrong or acted unfairly towards Mrs L. So I don't uphold her complaint.

my final decision

For the reasons given above, I don't uphold Mrs L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 28 January 2019.

Jo Chilvers
ombudsman