complaint

Mrs G and the estate of Mr G complain Lloyds Bank PLC wrongly advised them to invest £7,000 each in a risk-based investment ISA in 1999.

background

At the time of advice Mr and Mrs G were retired and living off their pensions. They had £90,000 on deposit and £76,000 in other savings including PEPs and unit trusts.

The advisor recorded that Mr and Mrs G were looking for advice about £38,000 of their money. They were happy to take a low to medium risk with this money, and were seeking capital growth and income from any investment. He recommended they invest £7,000 each in an ISA and £34,000 in a unit trust. They didn't go ahead with this latter recommendation.

In 2016 Mrs G and her late husband's estate complained they shouldn't have been advised to take any risk with their money.

An adjudicator at this service didn't feel their complaint should be upheld. He said this investment represented a suitably modest proportion of their savings (around 14%), and they probably needed to take some investment risk if they wanted capital growth and income withdrawal from their investment.

As no agreement has been reached, this complaint has been passed to me for review.

my findings

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

In this case I agree with the adjudicator and for broadly the same reasons.

Mr and Mrs G received this advice around 17 years ago, and there is very little information about what was discussed at the time. From what I've read I'm not satisfied the advisor gave Mr and Mrs G sufficient information about investment risk to make an informed decision about whether to take out these ISAs.

Lloyds said Mr and Mrs G were shown a document outlining the various funds and their risks, and then chose which category to invest in. Given Mr and Mrs G were, at best, inexperienced investors I think this was far from satisfactory.

That said, in order to uphold this complaint I would need to be sure that these ISAs were clearly unsuitable for Mr and Mrs G's circumstances or objectives at the time. For various reasons, I'm not convinced this is the case.

They had a considerable amount in differing savings pots including £90,000 on deposit. In principle, it wasn't unreasonable to suggest they invest a portion of this in an investment that had the potential to deliver a better return than a normal savings deposit account. In my view £14,000 was a modest portion.

If they were looking for capital growth while taking some income from this money, this could only have been achieved by taking some risk with it – and this product represented a fairly modest risk with that money.

Finally, I understand Mrs G complained to Lloyds that their ISAs had lost money, but from what I've read this isn't the case. Mrs G has taken at least £4,300 in income from her ISA and yet it was valued at £6,200 earlier this year. This means her initial £7,000 investment has in practice accrued a value of £10,500.

my final decision

I do not uphold this complaint or make any award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and the estate of Mr G to accept or reject my decision before 9 December 2016.

Tony Moss
ombudsman