

The complaint

Mrs M complains that an appointed representative of Quilter Financial Services Ltd provided her with unsuitable investment advice.

What happened

Mrs M, along with her husband, had a long-standing advisory relationship with an adviser working for an appointed representative of Quilter. Over the course of several years between 2017 and 2019, as part of a portfolio of investments including general investments, ISAs and pensions, recommendations were made by the adviser to invest in several variations of a type of structured product that sought to provide a return of capital plus a regular income over a six-year term, dependent upon the performance of a basket of three or five shares.

The investments in question are held by Mrs M and her husband in sole names and jointly. This complaint deals solely with Mrs M's investments. The other investments have been dealt with separately.

Although several issues were originally raised in respect of the advice, this decision deals only with the suitability of four structured products recommended to Mrs M. When the issue was raised with Quilter it didn't consider the complaint should be upheld. But when the matter was referred to this service our investigator reached a different conclusion.

She felt, in brief, that the amount invested in the structured products was too high and exposed Mrs M to an unsuitable level of risk. The investigator noted that Mrs M had some experience of similar products but felt that these particular investments were too complex and, lacking in capital protection, unsuitable for someone seeking income as they approached retirement. The investigator recommended the complaint be upheld and that Quilter should put Mrs M in the position she'd have been in had the money instead achieved a no-risk, fixed-rate bond benchmark return.

Quilter remained of the view that the recommendations had been suitable, so as no agreement could be reached, the matter was referred to me to review.

What I've decided – and why

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

As noted, the investigator's view was that the recommendation of the four products was unsuitable for Mrs M, on the basis they were complex products, offering very limited capital protection, inconsistent with her attitude to risk and wider circumstances – for instance, with retirement imminent.

Having reviewed all the files, I find I'm in agreement with the investigator's view.

While I understand that Mrs M had previous experience of this type of product, that doesn't in itself render ongoing recommendation of more products suitable. The products in question

are, by any standard, complex products with an opaque mode of operation, offering no guarantee of a return of capital, nor even a consistent income throughout the six-year terms.

The potential return is generally dependent on the performance of only five shares (the December 2017 product only three). Mrs M and her husband had at one point over £200,000 committed to the products, which despite them having other fairly significant other assets, strikes me as much too high a concentration in this one particular product area, especially given their recorded attitude to risk and wider circumstances.

My view of the matter has been explained to Quilter, which has agreed to compensate Mrs M in respect of the four products recommended to her as set out below. This decision is issued to confirm that position.

Putting things right

Quilter must, upon the maturity of each product, compare the total amount (capital plus income) actually returned by the product with the amount Mrs M would've received had the same initial capital amount achieved a return over the same period equivalent to the average rate from fixed-rate bonds (*specifically, the monthly average rate for one-year fixed-rate bonds as published by the Bank of England. The rate for each month will be that shown as at the end of the previous month. Those rates should be applied to the investment on an annually compounded basis*).

In the event that the fixed-rate bond figure is higher than the actual amount received by Mrs M, Quilter must pay her the difference between the two figures. For clarity, if the *actual* return is greater than the hypothetical fixed-rate bond figure, no compensation will be due for that product.

The four products in question are:

- Natixis UK Titans 50 50 Memory Income Autocall December 2017
- Natixis UK Titans 50 50 Memory Income Autocall July 2018
- Natixis UK Titans 50 50 Memory Income Autocall November 2018
- Commerzbank UK Titans 50-50 Memory Income Autocall March 2019

Although the first of these products matures very shortly, this month, the others will mature over the course of the next 18 months or so. As such, Quilter must provide a written undertaking to Mrs M confirming that it will carry out the remaining calculations as and when the products mature.

In the event that any of the products 'kick-out' early (the potential for doing so being a feature of all of them) the calculation should be performed on the same basis using the early maturity date. That said, in such circumstances the products pay a full return of capital plus income due to date, so the calculation would be unlikely to show any loss.

My final decision

For the reasons given, my final decision is that the complaint should be upheld and redress, where applicable, paid by Quilter Financial Services Ltd to Mrs M as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 9 January 2024.

James Harris

Ombudsman