DRN-4780599

The complaint

Mrs L's complaint concerns investment advice she and her late husband, Mr L, were provided with by HSBC UK Bank Plc in 2008. In brief, her representative says they were advised to invest too much money.

What happened

In 2008 Mrs L and her husband met with an HSBC adviser to obtain advice on financial planning. They were in the process of selling their residential property in the UK and moving abroad. They were both employed by a business of which Mr L was a director and they were intending for it to continue operating in the UK and for their ongoing income from it to remain in the UK.

The majority of the monies under consideration for investment were to come from the sale of the property. This was recorded as £480,000, minus a variety of costs – fees, repayment of outstanding mortgage and loans – leaving a balance of £374,000, although the figures are a little contradictory around this. They also had a small amount of savings, noted as £14,700.

It was recorded that Mr and Mrs L were generally 'medium' risk investors, who'd held shares previously, but were looking to take a lower level of risk with this money, as it was coming from the property sale. As they were seeking a combination of capital growth and income the adviser recommended three investment bonds, each with a slightly different focus, with three different providers, commensurate with the lower level of risk. £250,000 of their money was to be committed, split £100,000, £100,000, and £50,000.

The recommendation was broadly accepted, but with the £50,000 bond not taken up as Mr L's father was ill, so they wanted to keep some money back to help support him.

The two bonds were started, held in joint names, in February 2008, with monthly income starting around six months later. One bond was surrendered in 2014, with the other continuing to the present.

Sadly, Mr L passed away in 2021. In 2023 Mrs L's representative complained to HSBC, primarily on the basis that too much of Mr and Mrs L's money had been committed to the bonds, meaning the overall advice didn't reflect a cautious attitude to risk.

HSBC didn't uphold the complaint. It felt that sufficient funds had been left over to form a suitable emergency fund and the fact that Mr and Mrs L had actively invested less than recommended demonstrated that they understood there was flexibility in how they proceeded. HSBC also noted that the bonds had been maintained for years, with income taken regularly, before any lump sums were taken. So, this suggested the bonds had met Mr and Mrs L's objectives at the time.

The complaint was referred to this service, but our investigator reached broadly the same conclusion as HSBC. He said, in brief:

- Mr and Mrs L had the capacity to invest. It was recorded they were in good health,

both employed by the business with an ongoing income.
- The recommended bonds appeared to have been consistent with the cautious level of risk they wanted to take with the money.
- They also had the capacity to withstand some loss, given their ongoing circumstances.

Mrs L's representative didn't accept the investigator's view, primarily on the basis of the last of these points. This was because it had been noted within the suitability letter issued to Mr and Mrs L that they intended to lend their daughter up to £100,000 for a property purchase. Despite the contradictory figures given in the fact find, it would therefore appear to have been the case that too much had been invested, given Mr and Mrs L's wish for a cautious investment, as the £100,000 would've significantly reduced the amount left as cash for an emergency fund.

The investigator wasn't persuaded to change his opinion, so 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.

Where matters are unclear or in dispute, I've reached my conclusions on the balance of probabilities – in other words, what I consider more likely than not to have happened based on the evidence available and the wider circumstances.

I think it's fair to say that the crux of the complaint focusses on the amount of money invested. The bonds themselves and the strategy for proving an income for Mr and Mrs L, broadly speaking don't strike me as unsuitable given their circumstances and objectives at the time.

As noted, the figures recorded in the fact find were contradictory. At one point it was stated that the amount available for investment was "£396,000, this figure is net after paying off borrowing". Elsewhere the figure of £374,000 was given as the balance after costs and loans were paid. The figures regarding Mr and Mrs L's other money were also contradictory. Possibly a total of £14,700 each, or held jointly, or even a different figure of £17,700 in total, depending upon how the information is interpreted.

Assuming the lower figure of £374,000 for the property sale proceeds (although I note Mrs L's representative has said she thinks it may have been as low as £340,000) and the lower figure of £14,700 for the additional savings gives a combined figure of £388,700. If that were the case, I don't consider the total recommendation figure of £250,000 to have been excessive. And it was of course a smaller amount invested, £200,000, albeit as some of the money had to be earmarked for potentially supporting Mr L's father.

But there is the issue the issue of the £100,000. The suitability letter issued to Mr and Mrs L said. -

"You are planning to lend up to £100,000 to your daughter for property purchase and want to keep this capital liquid and I have taken this into account when making my recommendations.

The investment advice provided in this report is not in line with the overall strategy I would normally recommend for a customer with your objectives and approach to investment risk. In particular you have a higher level of cash. However I consider this strategy to be suitable in *your circumstances because you may be lending money to your daughter for property purchase."*

So, it seems the amount was taken into consideration, but it's not entirely clear how. Clearly if £100,000 was removed from the £388,700 then, as Mrs L's representative has highlighted, this left £288,700 with £200,000 of it invested, equivalent to around 69% of their available funds invested.

I accept that would be a large proportion, even more so if the full £250,000 had been invested, and potentially calls in to question the suitability of the advice. But having given careful though to the matter, in all the circumstances, I'm not persuaded that the complaint should be upheld.

I say this for several reasons:

- The accuracy and reliability of the information available from the time. I note Mrs L's recollections but must take into account the passage of time and bear in mind that these events took place 16 years ago.
- The lending of the money was not recorded as being a definite commitment. It was noted as a possibility, that Mr and Mrs L may be lending 'up to' £100,000. It's not clear whether the loan was ever made or for how much.
- The fact that Mr and Mrs L proactively sought to reduce the amount invested in respect of the money potentially needed to support Mr L's father suggests they understood they were ultimately in control of how much was invested.
- They were continuing to work, in receipt of ongoing income from the business of which Mr L was a director, and it was noted that this would remain the case while they were abroad.
- There doesn't appear to have been any need for Mr and Mrs L to draw upon the investments in the early years beyond taking the additional income that the bonds were intended to provide.

I do understand the concerns voiced by Mrs L's representative. The suitability letter did suggest that the recommendation intended to keep the £100,000 liquid. But nevertheless, on balance, I don't think the available evidence coupled with a consideration of the wider circumstances supports a finding that Mr and Mrs L were misadvised and have incurred a loss that HSBC should be directed to compensate.

My final decision

For the reasons given, my final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 21 November 2024.

James Harris
Ombudsman