DRN-5369162

The complaint

Mr and Mrs L complain about the advice they received from UBS AG to invest in an Offshore Bond. They say they have suffered losses as a result of the advice, and incurred costs they shouldn't have.

What happened

In May 2018, Mr and Mrs L opened a mortgage facility of around £1.1m with UBS over a five-year term.

In January 2021, UBS carried out a review of Mr and Mrs L's investment portfolio as part of an ongoing advisory service it provided to them. UBS introduced the idea of investing the proceeds of a property sale into an Offshore Bond. Investment options and projections were given. These compared repaying their existing mortgage arrangement with maintaining it and investing the monies available with an aim of the investment growth outperforming the mortgage interest costs.

In March 2021, UBS sent Mr and Mrs L a recommendation letter. In summary this said:

- Following the sale of properties, they had £2m available for investment and their overall objective is to seek competitive returns through a flexible savings vehicle.
- Their appetite and tolerance for risk and ability to bear losses was assessed, and it was determined Mr L had a UBS risk profile of 'Growth' and Mrs L was assessed as having a 'Balanced' profile – but in respect of the intended investment a joint portfolio risk profile of 'Growth' was agreed.
- They are to invest £2m in an Offshore Investment Bond. The bond will initially be invested in cash pending further discussions with their adviser when it will be invested in keeping with the agreed attitude to risk for this investment and their objectives.

Following this, Mr and Mrs L completed the application for the bond.

In July 2021, UBS sent a further recommendation letter, which confirmed:

- Mr and Mrs L's attitude to risk was assessed by asking questions based on loss and uncertainty aversion to provide an indication of how much risk they are comfortable taking when investing. The results indicated that Mr L was comfortable taking a medium level of risk (level four out of six) and Mrs L was comfortable with a very low level of risk (level one out of six).
- It has been agreed a 'Growth' risk profile overall for Mr and Mrs L's investments at UBS. This is slightly more risk than the financial personality results indicate that Mr L is comfortable with and significantly more risk than what they indicate Mrs L is comfortable with. However, taking all of the above into consideration and their time horizon of seven plus years, the Growth risk profile is affordable and appropriate for them as it will provide the potential to achieve good, long-term returns.
- The new bond was to have £1m invested into a Global Growth strategy and £1m into a Sustainable Investing Growth strategy.

In February and August 2022, UBS carried out financial reviews as part of the ongoing advice service it provided to Mr and Mrs L - this included a review of the Offshore Bond. The reviews did highlight losses, but no further recommendations were made in respect of this investment.

In May 2023, Mr and Mrs L raised concerns about the investment advice they had received in 2021. They question why they weren't advised to use the funds to repay their outstanding mortgage. UBS responded to the complaint but didn't uphold it. Mr and Mrs L weren't satisfied with the response, so referred the complaint to this service for an independent review.

I issued a provisional decision in February 2025. This is what I said:

"Having reviewed everything, I'm satisfied the crux of the complaint relates to the advice Mr and Mrs L received from UBS to invest £2m in the Offshore Bond. They believe this advice was unsuitable predominantly because they should have been advised to repay their outstanding mortgage and invested a smaller sum into the bond. I will focus my findings on this, but I have considered the overall suitability of the advice including the level of risk that the investment presented to Mr and Mrs L.

The documentation available from the time indicates that UBS first provided a proposal to invest funds in January 2021. I've seen that Mr and Mrs L were provided with information giving different options with projections for investing the funds they had available. The proposals sent to Mr and Mrs L set out an option which involved keeping their mortgage facility and investing a larger amount with an aim of achieving a growth return above the interest costs associated with the mortgage. It also gave another option whereby the mortgage was repaid, and a smaller amount was invested, giving an estimated growth return on the lower amount. A third option was also included, which was a combination of the two, this was to reduce the mortgage facility to £200,000, and invest the remaining available funds for growth. In the illustrations provided, the first option (which included retaining the full mortgage) gave a higher estimated net return. The suggestion given by UBS was to keep the existing mortgage facility and invest all of the cash available for investment for the best return.

I haven't seen that UBS provided any guarantees on expected growth in the projections and the figures given were noted as estimations/forecasts using average returns over the last 15 years. I haven't seen that a specific warning was given about the risk of interest rates increasing, as this would impact the overall position on the net growth that could be achieved as the cost of borrowing increased on the variable rate mortgage. But I do think the information given to Mr and Mrs L clearly set out different strategies available to them, and the potential returns they could expect. So, I think they made an informed decision when deciding to accept UBS's recommendation.

In hindsight, if Mr and Mrs L made a different decision in respect of the level of funds they committed to the bond and repayment of their mortgage, it would have left them in a better position financially. But this wasn't something that was known when they received advice, so I don't think the fact they weren't advised to repay their mortgage facility means the original advice must have been unsuitable.

I don't find the strategy to invest for growth with an aim to exceed lending costs to be unsuitable per se. When looking at Mr and Mrs L's circumstances at the time, I don't find this strategy to be something that was clearly unsuitable for them. Their personal circumstances, including their employment status and income levels, and existing assets all indicate they had the ability to absorb the risk associated with this strategy, and they weren't relying on the funds to meet their income needs. I acknowledge the performance of the bond has been *disappointing, but this is the nature of risk-based investments. As mentioned above, I understand Mr and Mrs L feel how things have panned out has had a negative impact on their health. I don't doubt the performance of the investment has had a negative impact on them, but I don't find this to be a reason to say the original advice was unsuitable.*

I've gone on to consider whether the level of risk they were advised to take through the strategy recommended was suitable for their needs and circumstances. Mr and Mrs L were advised to split the investment equally into two – with £1m invested in a Global Growth fund and £1m invested by UBS under a discretionary service following a Sustainable Investing Growth strategy.

As part of the advice process UBS did assess Mr and Mrs L's risk appetite and objectives. The recommendation document states it established that they agreed they had a 'Growth' risk profile for this investment – and describes them as striving for substantial appreciation of assets over the long term while accepting above average volatility. UBS also provided details of the individual financial personality tests it carried out for both of them. Mr L's results indicate he was prepared to take a medium level of risk, but it has acknowledged that Mrs L's answers indicate her excepted risk levels were very low. But it has argued that this information shouldn't be taken in isolation. It has explained when making recommendations, it takes a holistic assessment of objectives, time horizon, financial situation, capacity to bear loss, knowledge and experience to establish the strategy it deems to be suitable to meet the client's needs.

I've also looked at the information available to understand Mr and Mrs L's circumstances and objectives at the time, and the level of experience they had before they invested in the bond in 2021.

The July 2021 recommendation document sets out Mr and Mrs L's assets at the time. This indicates they had a UBS joint account holding £2.2m of which £2m was earmarked for investment in the new Offshore Bond and £214,000 was to be retained as a cash buffer. It records that Mr L held a SIPP with a value of £819,000 invested in a global growth portfolio and Mrs L had £66,000 in a SIPP invested in a global balanced portfolio. Mr L had further pension savings of £685,000. They also owned two properties at the time worth £4m and £1.5m, and also a mortgage liability of £1.1m. They were directors of their own business and took salaried income, and they also had the ability to draw dividends from the company as and when they required further income. UBS has provided evidence from Companies House to indicate Mr and Mrs L's company held cash of around £600,000 in the December 2021 end of year financial statement.

UBS has confirmed Mr L had been its client for a number of years and its records show investments being made over a number of years. It says at one stage over £200,000 in equity investments were held. I've reviewed the evidence provided. This includes a 2019 financial review. Within this document it states Mr L has an Aggressive (Growth) attitude towards risk for the investments held within the UBS Joint Account and his SIPP portfolio. It also indicates there were investments held with UBS including single stock shares held in the joint account which have been selected by him and for which UBS provided no investment advice. I also note the January 2020 financial review states "you have knowledge of, and experience in, investing in Equities and Fixed Income products." Although not held at the time of the 2021 advice, I also note the point UBS make about Mr and Mrs L committing to a significant private investment shortly after the advice, as detailed in the August 2022 review.

Having considered the available evidence, I'm not persuaded Mr and Mrs L can be described as inexperienced or novice investors who had no experience of equity-based investments. It does appear that they have held various investments over several years. I *also consider that their circumstances meant they were in a position to take the level of risk associated with the strategy UBS recommended in 2021, and they had capacity to bear losses.*

Mr and Mrs L's objective has been stated as growth over the longer term, so I don't think immediate access to the funds was a key requirement for them when they received advice. I acknowledge that they had a mortgage to repay, but from the evidence I've seen it doesn't appear this was an immediate priority to repay, and they could accept a degree of flexibility on how this facility was used. The bond did allow for annual tax-free withdrawals of up to 5%, which could be rolled up if not taken. So, this did give some flexibility to release funds should their circumstances lead them to need to make withdrawals in a tax efficient way. There are also notes within the advice documents that indicate Mr and Mrs L had the potential to draw on dividends from their company should they need funds. And they did leave approximately £200,000 in cash after investing in 2021. So, it does appear they had options should they need to access to money unexpectedly, even after committing to the bond.

On balance, I don't find the level of risk associated with the strategy recommended by UBS was unsuitable for Mr and Mrs L's circumstances. I also find it was an appropriate method to meet their aim of growth over the medium to long term. I've already explained why I don't think UBS was at fault for not recommending the mortgage facility was repaid before investing. So, it follows that I haven't found it is responsible for the losses Mr and Mrs L claim. As I haven't found any errors were made by UBS, I don't find it is responsible for the impact the performance of their investment has had on them."

Neither Mr and Mrs L or UBS responded to provide any further submissions for me to consider.

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 neither party has provided further evidence or arguments in response to my provisional findings, I've got no reason to change the outcome I set out above.

In conclusion, for the reasons given above, I'm not persuaded that the recommendation made by UBS for Mr and Mrs L to invest in the bond was unsuitable. So, it follows that I don't find UBS needs to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs L to accept or reject my decision before 1 April 2025.

Daniel Little
Ombudsman