DRN-4198509

The complaint

Mr and Mrs W complain that Barclays Bank UK PLC gave them unsuitable financial advice in 2000, when it advised them on investing a lump sum Mr W had inherited.

In particular, they say that as inexperienced investors, they should not have been advised to invest as much as they did.

Mr and Mrs W are represented in this matter.

What happened

From the information recorded at the time the advice was given in 2000, it appears that Mr W was 34 years old and was earning £13,000 per year. Mrs W was 41 years old, and her annual salary was recorded as £3,120. The adviser noted they had a net disposable income of over £500 per month and owned their home, valued at £200,000, outright. It appears they had no debts and cash savings of over £160,000 (including the inheritance Mr W had received) and shares valued at around £12,000.

Their attitude to investment risk was assessed as 'medium'. The adviser noted that Mr and Mrs W wanted to invest a lump sum for *'capital growth over the longer term'* and to keep a cash reserve of £34,900.

Barclays advised Mr and Mrs W to invest a total of around £137,000 in its 'Safety with Growth Portfolio'. The £137,000 was made up of £125,000 cash from the inheritance Mr W had received and the sale of the shares they held, valued at around £12,000 at the time they were sold. The 'Safety with Growth Portfolio' was predominantly invested in fixed interest and UK equities.

I understand that Mr and Mrs W encashed their Barclays portfolio in 2008.

In 2022, their representative complained to Barclays on their behalf. He said he felt Mr and Mrs W had been advised to invest too much of their money in the portfolio and he felt they should have been advised to retain more in deposit based savings.

Barclays did not uphold the complaint. It said it felt its advice had been suitable based on the information it had recorded about their personal and financial circumstances at the time the advice was given. It also noted that in addition to the £34,900 in cash savings that Mr and Mrs W had retained, they had also deposited a further £27,000 in their deposit account in 2001. In view of this it said it was satisfied the Mr and Mrs W had an adequate level of deposit based savings.

(There was some delay in Barclays responding to Mr and Mrs W's complaint and it has paid them £200 for any trouble or inconvenience this delay has caused them.)

Mr and Mrs W's representative was not satisfied with Barclays' response and referred their complaint to this service.

Having carefully considered the complaint our investigator said he didn't think the advice Mr and Mrs W received in 2000 was unsuitable. He said he felt that the cash reserve Mr and Mrs W had retained was sufficient, particularly as they were both working and intended to do so for a number of years, and it appeared they had a monthly surplus of income over expenditure of over £500.

Mr and Mrs W's representative did not accept our investigator's view. He reiterated his view that the *'…advice for them to invest an additional £125K from their total liquid savings' in addition to the £12,000 that had previously been invested in shares, was 'excessive for non-experienced/ new investors', even if they agreed to a Medium level of risk'.*

He also referred to internal Barclays' guidelines and said he understood that the guidelines set out that:

'*the maximum acceptable level for a Medium / Balanced risk investor was no more than 50% of one's savings. Anything over 50% would be considered high risk. Especially ones with little to no previous investment experience'.*

He also said:

'… just because they had savings does not mean that the advice was appropriate. It is immaterial whether they were young, working and could afford the losses, the issue is the attitude to risk determined the level of experience and the suitability of the advice given. This is what must be considered regardless of if they can afford the losses.

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.

Having done so, I don't think the advice Mr and Mrs W received from Barclays in 2000 was unsuitable. I'll explain why.

I appreciate the points that Mr and Mrs W's representative has made, but I don't agree that their capacity for loss was 'immaterial'. I think capacity for loss is an important factor that should be considered when determining whether an investment (or indeed the amount invested) is suitable.

As our investigator set out, Mr and Mrs W owned their home outright and had a significant surplus of income over expenditure. They also retained deposit based savings equal to over two years of their combined annual income and I understand that these deposit based savings were increased by a further £27,000 in 2001. This gave them deposit based savings greater than four times their annual income.

I can't reasonably find, given their financial situation at the time the advice was given, that the adviser acted unreasonably in recommending that they invest a total of around £137,000 for *'capital growth over the longer term'.* I am also mindful that I have not been provided with anything that shows or suggests Mr and Mrs W made any withdrawals from their portfolio until 2008.

It is very unfortunate that Mr and Mrs W chose to encash their portfolio in 2008, when financial markets around the world were falling. But I cannot reasonably find that the advice in 2000 was unsuitable given Mr and Mrs W's personal and financial circumstances, attitude to investment risk and capacity for loss.

I note that Mr and Mrs W's representative has referred to his understanding of internal

Barclays' guidelines. I appreciate he feels that the amount Mr and Mrs W were advised to invest was not in-line with these guidelines.

As the representative will be aware, this service determines complaints based on what we consider to be fair and reasonable – whilst taking account of any relevant regulatory requirements. I am not aware of any regulatory requirement that sets out how much an investor must retain in cash, or any requirement that directly links the amount of cash reserves a consumer must hold to their attitude to investment risk. This is because financial advice should be tailored to the consumer's personal and financial circumstances as well as their attitude to investment risk and capacity for loss.

My final decision

My decision is that, for the reasons I have set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 1 December 2023.

Suzannah Stuart
Ombudsman