

The complaint

Mr F complains that Barclays Bank UK PLC mis-sold him a Barclays Managed Growth Fund. He believes the amount invested represented too high a proportion of his capital and the investment risk was too high for him.

Mr F is represented in this complaint by a claims management company ('CMC').

What happened

In February 2001, acting on Barclays' recommendation, Mr F invested £4,000 in a medium risk rated Barclays Managed Growth Fund. He made no withdrawals and took no income from the fund. When he surrendered his investment in March 2011 he received back £4,015.50.

Barclays didn't uphold the complaint. It was satisfied that a medium risk investment had been suitable for Mr F and that he'd been left with sufficient funds after investing as he would have been able to rebuild savings relatively quickly out of surplus cash each month.

When one of our investigators considered the complaint, he reached the same overall view as Barclays. In summary, he said that although there was only limited information now available, from what he'd seen, he was satisfied that Mr F had been given suitable investment advice by Barclays.

Mr F didn't agree with the investigator. On his behalf, the CMC mainly said:

- it hadn't seen any evidence to show Barclays discussed Mr F's attitude to risk at the point of sale
- a tick in a tick box stating that he was a medium risk investor was made by the advisor
- Mr F had very limited resources to re-coup any investment losses
- although he'd held the investment for 10 years this did not mean it was suitable for Mr F at the point of sale and he hadn't realised it was unsuitable when he took it out
- an investment 85% invested in equities would not normally be deemed suitable for a novice investor unless it represented only a small proportion of a client's assets or they had the financial means to earn back any losses relatively easily. 44.4% of Mr F's assets were invested into the product and he had to support four people on a low single income so it's not agreed that such an investment was suitable for him as a novice investor.

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.

I've carried out an independent review and having done so, I've reached the same conclusion as our investigator. I'll explain my approach and how I've reached my decision.

It's my understanding that the crux of Mr F's complaint is that he was advised to invest too much of his money in a fund that was too risky for him. So I've thought carefully about both parts of the complaint.

Was Mr F advised to invest too much of his money?

From what I know about Mr F's financial situation at the time, he was in secure employment and his planned retirement age was some years off. It was reasonable to think that Mr F would likely be working for the next twenty years or so which meant his future earning potential looked good.

And whilst he had dependants, his circumstances at the time would have looked comfortable. Mr F earned around £1,300 per month and there was a small amount of other regular household income intended to cover some of the cost of his dependants. He lived in his own home free from mortgage and he had no loans or other liabilities. Mr F was left overall with a monthly surplus of around £400 after meeting all his usual outgoings. Barclays' fact find recorded that he had around £12,000 in cash held on deposit.

Barclays recommended keeping cash reserves of £3,000 for planned expenditure likely within the next two years and also retaining cash savings of £5,000 to cover emergency spending or unforeseen changes in circumstances. Mr F didn't appear to have any other immediate need for the money, he had already made provision for anticipated financial requirements and he'd kept back a reasonable pot of money to fall back on in the event of any unplanned spending needs arising. The five year investment timescale seems reasonable to me in the circumstances. And, as Barclays pointed out, it looked like Mr F should have been able to rebuild cash savings he'd invested within a relatively short period given his monthly surplus income. So I find that £4,000 was a suitable amount for Mr F to invest.

On balance, taking into account Mr F's financial position when he decided to make this investment, I don't find that the amount Barclays advised Mr F to invest is a reason for me to uphold this complaint.

Was the medium risk fund too risky for Mr F as a first-time investor?

I agree that a client's experience of managing money is something that the advisor should consider when advising on investments. And I accept that Mr F was a novice investor. But I don't agree that a medium risk investment couldn't ever be suitable for an inexperienced investor. This would effectively deprive Mr F of the opportunity to make bigger investment gains than he could otherwise achieve, which seems unfair to me as Mr F needed to take some investment risk in pursuit of the capital growth he said he wanted.

Barclays has provided copies of some of the original paperwork. There is limited evidence to show how Barclays established that Mr F wanted to take a medium risk approach. But, although there is no way of knowing exactly what Mr F understood about the risk, I think it's likely there was some discussion around risk.

The fact find Mr F completed with the advisor set out different risk options ranging from 'Risk averse' through 'Low risk' and 'Medium risk' to 'High risk'. This suggests to me that some discussion about risk would've been required as part of the advisor's usual sales process and it's likely that Mr F could've seen on the form that there were risk options. Also, when deciding how much cash to keep back in savings on deposit, I think it's likely that there was discussion with the advisor about the risks of taking money out of cash savings and investing it instead. I think that Mr F would have understood that the higher the risk, the greater the potential scope for reward and that he could choose how much risk he

wanted to take. I have no good reason to think that the agreed attitude to risk reflected in the point of sale paperwork didn't accurately record Mr F's wishes to invest in a medium risk fund at the time.

The fact alone that it was the advisor who probably ticked the relevant box isn't a reason for me to find that I can't rely on the information. Given Mr F's circumstances at the point of sale and his investment goal, I don't think the outcome of the risk assessment was inappropriate. And the fact that Mr F didn't complain when his investments were subject to high market volatility (during 2008 for instance) also suggests he had at least a medium attitude to risk. If Mr F's risk profile had been lower and he'd been uncomfortable with a medium level of risk exposure, there's at least some likelihood that he'd have been prompted to complain sooner than he did.

I've also taken into account that there is mention of discussion about '*...Both growth funds..*' All this suggests to me that Mr F had to think about and choose the level of risk he was most comfortable taking and he made an informed choice of investment.

To sum up, I think that Mr F understood and accepted the risk of the fund that Barclays advised him to invest in. If he hadn't understood the risk or he wasn't prepared to take that sort of risk, he would've been aware that there were other safer options for his savings. Taking everything into account, I think Mr F knew he was signing up to a level of risk for this particular investment in order to obtain the capital growth he hoped for.

This leads me to conclude that I haven't seen enough to make me think that the Barclays Managed Growth Fund was too risky for Mr F or otherwise unsuitable for him.

I appreciate that what I've said here will come as a disappointment to Mr F but I hope that setting things out as I've done helps explain why I've come to this overall conclusion."

My final decision

For these reasons, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 29 August 2023.

Susan Webb
Ombudsman