DRN-4353560

Financial Ombudsman Service

The complaint

Mr C complains that Santander UK Plc mis-sold him a corporate bond fund in 2010. He says he was told it would double in value over the longer term.

What happened

In October 2010, Mr C had around £85,000 available for investment following an account maturity. He planned to reinvest the sum in a 4.5% fixed rate bond. But he says that, when he visited a branch, Santander advised him to invest in a corporate bond. He was due to retire within the next few months so says he wouldn't have wanted to take any risk with his money. He says he was told the investment would double in the medium to long term. So he invested half his money, £42,500, in the recommended bond and the remainder in the fixed rate bond as he'd originally intended.

He understood "long-term" to be at least 10 years and in 2022 he complained to Santander because the bond hadn't increased in value as he says he'd been told.

Santander said Mr C's complaint was out of time and this service considered whether it had been brought too late. One of our ombudsmen decided the complaint had been brought within the required time limits and that we could consider it.

Our investigator didn't recommend that the complaint should be upheld. She thought Santander had made Mr C aware that the investment could fall as well as rise in value and she didn't think he'd been treated unfairly.

Mr C didn't agree. He said, in summary, that:

- He wasn't given the booklet that the investigator refers to.
- He couldn't afford to lose any money because he was shortly due to retire and, if he'd been made aware that the investment could fall in value, he wouldn't have gone ahead.
- Santander was fined by the Financial Conduct Authority ("FCA") for mis-selling which took place around the time when he received advice.

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.

The bond was sold to Mr C around 13 years ago and Santander isn't required to keep records indefinitely. In cases like this, where the evidence is incomplete, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Having considered everything carefully, I find I have come to the same conclusion as the investigator for the following reasons:

The main objective of the bond fund was to generate income. Mr C told us that when he met with Santander he was due to retire in the following few months. I think it's likely he was recommended the bond to supplement his retirement income. And I can see Mr C has received a monthly payment from the investment of around £145.

The fund invested in government and corporate bonds and was considered low risk, or "cautious". I don't find this was unsuitable for Mr C who didn't have any investment experience, and who was about to retire.

Whilst the main objective of the bond fund was to provide income, it also aimed to maintain and increase the capital value. But Mr C says he was told the investment would double in value over the medium to long term. He's not been able to provide evidence of what he was told and there are no records of the meeting. I can't be sure exactly what was said so I've placed more reliance on the paper records that do still exist. I'm not persuaded that Mr C was given any guarantee that the investment would increase in value. I say that because none of the paperwork mentions any guarantee of a capital increase.

The "Help to Invest Guide" includes warnings that the value of investments can go down as well as up and I think these are reasonably clear.

Mr C says he didn't receive the "Help to Invest Guide". Whilst I accept that's possible, I wouldn't expect him to remember now exactly what paperwork he received in 2010. I think it's more likely than not that, even if he didn't receive that guide, he would have seen the key features document for the bond. I say that because, when he signed the application form, he confirmed that he had read the key features document. And I'm satisfied that the key features document would have included the warning about the value of investments falling as well as rising and that Mr C might not get back the amount he invested.

Overall, for the reasons I've explained, I don't find the recommendation for Mr C to invest in the Sterling Corporate Bond Fund was unsuitable.

In arriving at my conclusion, I've taken into account that the FCA found Santander had "*failed to ensure that customers investing were given clear and not misleading information about its products and services*" during 2010 to 2012. I'm satisfied Santander carried out the required review of its sales and that not all of its sales during this period were found to be unsuitable. So, whilst I understand Mr C's concerns, the FCA action does not change my decision.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 25 October 2023.

Elizabeth Dawes
Ombudsman