

The complaint

Mr W complains that Nationwide Building Society wrongly advised him to remain invested, leading to a significant loss.

What happened

Mr W had held his investment with a separate provider, but originally advised on by Nationwide, for several years. In 2019, following a review of his requirements and needs, the investment was transferred from a Model Portfolio to a Primary Fund Range.

During the 2019 review the adviser noted Mr W's main objectives as simplifying his portfolio and generating an income and these were confirmed by Mr W. His appetite for risk was categorised as a 'level 2', one above the lowest level and there were opportunities to review the objectives during subsequent meetings.

Following the investment transfer Mr W was sent regular statements and had access to Nationwide's online services. Annual written reviews were sent explaining the status of the investment and Mr W was invited to arrange a review meeting if one hadn't already taken place.

Our investigator didn't consider that Mr W's complaint should be upheld. She noted discussions he had with his adviser, in 2022, specifically that between May 2022 and November 2022 four meetings were held during which the performance of the Mr W's investment was discussed.

One of these, in October 2022, was recorded and, in the absence of other supporting evidence, the investigator relied upon this in reaching her conclusion. She noted that the performance of the investment was discussed in detail. Mr W explained that he was disappointed by a drop in value and options were discussed, including remaining invested or withdrawing. The adviser explained that losses wouldn't be crystallised unless the investment was encashed and that it could recover.

Although Mr W expressed disappointment with performance, he acknowledged the impact of global events. He said he would keep the investment in place, hoping it would recover and cash it in when it reached an acceptable level.

The investigator didn't feel that the adviser unreasonably influenced Mr W. She said that all options were explained, including the potential for the investment to continue to fall. An offer was made for further meetings to monitor the investment and review. Ultimately, she didn't feel that Nationwide had acted incorrectly and so didn't feel the complaint should be upheld.

Mr W didn't accept the investigator's opinion. He said he was disappointed that as a longstanding customer of Nationwide he'd been allowed to lose money and that it should be held responsible as it wasn't his fault. He also added that he was unhappy that the recording of his discussion with the adviser had been shared.

As no agreement could be reached, 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.

I appreciate that Mr W is very disappointed to have incurred a loss on his investment. The money's clearly very important to him and he relies upon it to support him in retirement. But to uphold the complaint I would need to be satisfied that Nationwide had acted incorrectly or unfairly, and in all the circumstances I'm not persuaded that it did. In saying that, I'm in no way suggesting the loss was Mr W's fault, rather that Nationwide isn't responsible for it – the loss is an unfortunate, yet natural, consequence of investment.

Mr W clearly had quite a good relationship with his adviser and has been a customer of Nationwide for many years. I therefore understand his expectation that it should act in his best interests and try to avoid losses occurring. But an adviser cannot be expected to know how the markets will act in the future. The focus of investment advice is ensuring that whatever is recommended to a customer is suitable for their current circumstances and consistent with their attitude to risk. And I think what was recommended to Mr W and regularly reviewed with him was generally suitable.

But the main focus of his complaint is his view that Nationwide should specifically have advised him to encash his investments when the value dropped, to avoid further losses. And I don't believe that a consideration of the circumstances supports that this should've happened.

With hindsight it can be seen that earlier encashment might've been beneficial, but at the time I think the adviser acted correctly in setting out the alternatives to Mr W and explaining how a loss would be 'crystallised' – become an actual loss rather than just one on paper – if encashment took place and, as such it might be better to hold off and see if the investment regained value.

I note Mr W's concern that Nationwide shared a recording of the meeting he had with the adviser in October 2022. It's normal process for this service to ask for all relevant information that a business holds relating to a complaint and the business is obliged to provide it. If Mr W feels Nationwide shouldn't have recorded the meeting or misled him in some way, then that should be addressed directly with Nationwide in the first instance.

I would, however, add that, even without the call recording I'm confident I would've reached the same conclusion on the complaint, for the reasons given – that the provision of advice is about suitability at the time of advice and cannot reasonably be judged with hindsight upon what happens later.

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 Mr W to accept or reject my decision before 15 February 2024.

James Harris
Ombudsman