

The complaint

Mr R is complaining about the advice and information given to him by HSBC UK Bank Plc when he was making an investment.

What happened

Mr R met with an HSBC advisor in July 2021 to discuss his investment and inheritance tax (IHT) planning needs. As a result of this meeting he invested in a fund (the Fund) within an Onshore Investment Bond (OIB) using a Discretionary Gift Trust (DGT).

By April 2022 the investment had fallen in value and Mr R complained to HSBC about the suitability of the investment and the information given to him at the time.

In their response to the complaint HSBC said that the documentation from July 2021 shows Mr R was prepared to take a very high degree of risk with his capital to secure higher returns over the long term and to help mitigate IHT. They said the adviser had recommended investing in an OIB using a DGT and set out the reasons in a report.

HSBC said Mr R had been given the most up to date factsheet available for the Fund at the time – this was dated 31 May 2021. And they said the adviser had discussed with Mr R the fact that the return over the last six month period was significantly lower than the sector median but that Mr R was happy that the Fund had consistently outperformed the sector over the longer term.

In their response, HSBC added that the issues with fuel prices and the war in Ukraine had contributed to further uncertainty in financial markets and this had impacted the performance of Mr R's investment. They added that they recommend investments are held for at least five years to allow an opportunity for growth. HSBC also apologised that Mr R was unhappy with the frequency of updates he'd received. They explained that the documentation he'd received at the start of the investment told Mr R that he'd receive a statement every six months but that they'd arranged for Mr R to be sent a monthly update and that he was aware of external websites where he could seek other updates.

Mr R remained unhappy so he brought his complaint to us. In particular, he said the advice cost around £7,500 but the past performance data he was given was around four months old by the end of the cooling off period. And he said the performance of the Fund began to fall before he invested and continued to fall during the cooling off period. He said that by the time of his complaint the Fund had lost around 20% of its value and he wanted to be compensated for both this and the advice fee. He says if he'd known this additional information about the performance of the Fund, he wouldn't have invested in it.

Our investigator looked into things but didn't uphold Mr R's complaint. His view was that the advice to invest in the OIB and place it into a DGT was suitable for Mr R's circumstances. He said he didn't think the fact sheet played a decisive part in Mr R's decision to invest in the Fund. He noted that the fact sheet explicitly said it shouldn't be relied on to make a decision and other information in relation to the Fund didn't provide any performance information at all. So he thought it was more important to consider the overall advice HSBC had given Mr R.

Mr R was unhappy with our investigator's view. He said he accepted the level of risk but expected the advice to be accurate and up to date, with a clear indication of present performance – which with hindsight it clearly wasn't. He said he later established that performance data is freely available on a regular basis and it's easy to track performance trends. He felt HSBC's failure to provide him with the most recent performance data at the time was negligent.

Mr R commented that if he'd had the data, he'd possibly still have invested in a DGT, but in a different fund. He noted that independent reports published at the time questioned and criticised the strategy adopted by the fund manager. He asked for an ombudsman's decision, and the complaint's come to me.

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, and recognising it'll be disappointing for Mr R, I'm not upholding his complaint – I'll explain why below.

Suitability

I've considered what HSBC needed to do when advising Mr R. They needed to thoroughly understand Mr R's objectives and assess his appetite for risk and capacity for loss. Then they needed to identify a product or combination of products that matched Mr R's profile.

Having been through HSBC's Fact Find, Risk Tolerance Questionnaire and Financial Planning Report, I'm satisfied they did this. I won't explain in detail because our investigator went through this and Mr R didn't disagree. In summary, the use of a DGT was suitable for Mr R's inheritance tax objectives, the use of the OIB allowed Mr R to draw a regular income, and the Fund selected within the OIB matched Mr R's high appetite for risk and capacity for loss.

Information needs

The crux of Mr R's complaint though is about the information HSBC provided him with – and primarily that it was out of date.

I've thought carefully about this. The Financial Conduct Authority's Principle 7 states: "*A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading*".

HSBC provided Mr R with the latest available factsheet for the relevant fund, and with a key information document. These are the documents they'd normally expect to provide, and although it's clear in retrospect that Mr R has a preference for more information, I can't see any reason that HSBC would have known this at the time. The factsheet given to Mr R clearly shows that the Fund's performance had suffered a significant drop in the six months to 31 May 2021. HSBC say their adviser discussed this drop in performance with Mr R and he was happy to proceed despite this, instead focussing on the longer-term performance of the Fund. The Financial Planning Report also notes that different fund options were discussed with Mr R and as well as long term performance the lower annual management charges associated with the Fund led him to choose this Fund.

So I'm satisfied Mr R was aware at the time of the advice that the Fund had been through a period of underperformance and chose to invest anyway. Looking at historical market data, I don't think more up-to-date information would have changed his mind. That's because

between 31 May 2021 and mid-September 2021, the Fund outperformed the market and it wasn't until mid-November 2021 that its value started a significant decline.

In conclusion, I'm satisfied HSBC did provide enough information to Mr R – there was no indication at the time that his information needs were greater than their average customer. And even if they had provided more up-to-date information on the performance of the bond, I don't think this would have changed Mr R's mind or led him to make a different decision. It follows that I'm not upholding his complaint.

My final decision

As I've explained above, I'm not upholding Mr R's complaint about HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 28 September 2023.

Clare King
Ombudsman