DRN-3709976

The complaint

Mr P, represented by a claims management company (CMC), complains that he was recommended an investment that involved too much risk by a predecessor business of Zurich Assurance Ltd trading as Allied Dunbar Assurance plc.

What happened

In January 2000 Mr P was advised to invest £7,000 into an ISA. There's little documentary evidence available from the time, so it's not entirely clear in what fund was invested, as the suitability letter refers to a Balanced Managed Growth Fund, but the final response issued by Zurich says the investment was in the Global Equity and Bond Fund.

In any event, Zurich was satisfied that the recommendation to invest £7,000 in the ISA was suitable, primarily based on information regarding Mr P's circumstances that was recorded in a fact find document in separate file, but from the same period.

The CMC referred the complaint to this service, but an investigator reached the same conclusion as Zurich. She didn't feel there was sufficient evidence to find that the advice has been unsuitable.

The CMC didn't accept this, reiterating its view that the level of risk wasn't consistent with Mr P's background and investment experience. So, as no agreement could be reached, the matter's been 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.

As noted, there's very limited documentation available relating to the recommendation, due to business changes and the time that's past since the advice was provided. But we do know, from the fact find relating to separate advice, that Mr P was married, in his early 50s, working full-time, with a mortgage and two dependent children when he received the advice.

From the information on the fact find it looks like he'd previously had a TESSA, alongside other savings plans. And it would appear that in addition to the money he invested in the ISA, he had another £11,000 available, which suggests there was no issue with affordability. Indeed, I'm aware that the ISA is still held by Mr P.

So, the issue in question really is with the level of risk the investment involved. The suitability letter tells us that Mr P was categorised as having a 'balanced' attitude to risk (although there's no record of how this was determined) and it went on to explain that this "*means you wish to invest in balanced funds which are designed to produce good long term returns through a relatively broad spread of investments in the UK and overseas. This balanced approach to risk and reward may nevertheless result in some volatility in the short term*."

As noted, the Balanced Managed Growth Fund was then recommended, described as a fund which aimed to "*provide capital growth from investment in a portfolio diversified to spread risk. The portfolio balances some holdings in some higher risk/reward funds with larger holdings in relatively steady equity and bonds funds*".

As noted, it seems this was not the fund that was actually invested in, for whatever reason. But it does look likely, on balance, that Mr P's money went into a balanced, managed fund reliant upon equities and bonds, some overseas.

I appreciate the CMC's point that this appears to be investing at a level of risk potentially inconsistent with Mr P's circumstances and experience, and possibly at a level above what might usually be considered as a 'balanced' investment. But overall, with so little to go on, I'm not persuaded that I can fairly conclude that it was unsuitable.

The recommendation letter suggests that the adviser gave reasonable consideration to Mr P's wider circumstances – for instance, it noted his wife's potential redundancy and, although it was noted that this was unlikely to create a problem, the advice took account of this. There were also warnings about potential volatility with the investment.

And while I accept the CMC's point about a positive return not in itself being an indication that an investment was suitable, I'm nevertheless conscious that Mr P's ISA had a value of £19,000 as of mid-2022, which does suggest a reasonable return that potentially outstrips the performance of any benchmark I might recommend as a comparison.

This is quite a finely balanced matter, but in all the circumstances, I'm not persuaded it would be fair and reasonable for me to direct Zurich to take any further action.

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 P to accept or reject my decision before 17 August 2023.

James Harris
Ombudsman