

## **The complaint**

Mr P complains that National Westminster Bank Plc (NatWest') incorrectly described the Personal Portfolio 3 Fund as 'medium risk' - he feels it should more accurately have been categorised as high risk. Mr P said this prompted him to place his money into a fund that exposed his investment to more risk than he wanted to take and caused him to suffer financial loss.

To put things right, Mr P would like NatWest to put him back to the financial position he was in prior to investing with NatWest as the product is not what he believes he was sold.

## **What happened**

In July 2021, using NatWest's online service, Mr P invested a five figure amount into a stocks and shares Individual Savings Account ('ISA') and he chose to put his money into the 'medium risk' investment option offered – the Personal Portfolio 3 Fund.

When his investment lost value, Mr P complained to NatWest that the fund had been mis-sold to him because his money was exposed to a higher than medium level of risk. His view was that the asset mix of the Personal Portfolio 3 Fund meant it was over exposed to market volatility by reason of being too heavily invested in equities.

NatWest didn't uphold his complaint. It mainly said that Mr P had made his own investment choice when he'd put his money into the Personal Portfolio 3 Fund which was a medium risk fund.

Unhappy with this response, Mr P brought his complaint to this service.

Our investigator didn't recommend that the complaint should be upheld. She concluded that the available information wasn't enough to show that NatWest had provided unclear or misleading information to Mr P. She didn't think NatWest had done anything wrong and that it wasn't responsible for any financial loss Mr P suffered.

Mr P didn't agree. He replied in detail to say, in brief summary, that:

- his complaint had been over-simplified and not fully understood
- NatWest advertised the fund as medium risk and showed evidence on its web site of fund performance over a three year period, which included the period of the pandemic
- he had emphasised to NatWest at the time – including during a conference call - that he could not afford to lose his retirement money and needed it to be in a medium risk portfolio that would be relatively safe
- he supplied evidence showing how poorly the investment funds were performing across all risk levels – and that the highest risk fund was outperforming all the other funds
- Nat West has changed its investment management company and the new

management company has repositioned the funds, which Mr P says '*...confirms that the funds were not positioned in the right areas for a medium risk portfolio ...*'

## **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.

We provide an informal complaints handling service and this is reflected in our approach. Having considered everything very carefully, I have come to the same conclusion as the investigator. I'll explain my reasons.

Mr P mentioned that he'd spoken to his NatWest personal account manager when he'd made it clear he didn't want a high risk investment and couldn't afford to lose any money. He said he'd been shown information about NatWest's portfolio of investments, risk ratings had been explained as '*...1 for very low risk through to 5 for very high risk*' and he was informed that '*...fund 3 was a medium risk investment and had returned approximately 6% over the past three years (which included covid times)...*' He also mentioned a conference call with NatWest. I've seen nothing to show that any tailored personal investment recommendation was ever provided to Mr P. It seems to be agreed that Mr P applied online to invest in the Personal Portfolio 3 Fund – and that's what the evidence I've seen points to. This means that it was up to Mr P to decide whether the investment he chose was right for him – it wasn't up to NatWest to assess suitability.

NatWest needed to provide Mr P with accurate information so he was able to make his own informed investment decision. At the heart of Mr P's complaint seems to be his concern that he was misled by NatWest into investing in a fund that was wrongly described by NatWest as medium risk. So this will be the focus of my decision

There's only limited information now available from the actual point of sale - neither NatWest nor Mr P can provide the relevant versions of the product information available to Mr P when he invested. NatWest has supplied the 'Key Investor Information' that was in circulation around seven months later and the updated Personal Portfolio 3 Fund factsheet that came into use in September 2022. I think it's likely these give a useful insight into what Mr P would've been able to see when he invested in the fund and it's reasonable to rely on these to help me understand the risk level of the fund Mr P invested in.

The 'Key Investor Information' says that the fund Mr P was invested in was a medium risk fund designed to increase in value over the medium to longer-term through a diversified portfolio of investments, with equity based investment making up at least 45% of the net asset value of the fund. The proportion of equities could vary over time, as the fund was actively managed. The fund managers took ongoing decisions about exactly where and in what precise proportions across asset classes to place funds to try and achieve the investment objective in changing market conditions. This doesn't mean that the fund wasn't fairly described as 'medium risk' when Mr P invested in it.

Our investigator mentioned that the fund fact sheet from October 2022 showed the fund holding around half its net asset value in equities. Despite Mr P's concern about the emphasis on equity investment, I don't consider that this is enough of a reason for me to uphold the complaint. It doesn't follow that this proportion of equity based investment would necessarily put the fund at a higher than medium level of risk overall over the intended investment term. It is consistent with the stated investment policy of having '*...at least 45%*' of the fund in equity based investment, so describing a fund with this make up as 'medium level' risk seems fair and reasonable to me.

The 'Profile of a Typical Investor' on the Key Investor Information sheet says:

'A typical investor in the Fund has a medium tolerance for risk; they accept that the value of their investment may fluctuate and they have a medium tolerance to bear losses to their capital. The minimum investment horizon is 5 years.'

I don't know if this information appeared in exactly this format on the earlier version of the Key Investor Information sheet that Mr P would've been able to see, but I think it's likely that this wording or something similar would've helped him to decide if this investment was right for him. The screenshots of the online journey Mr P would've had to complete when he invested in the Personal Portfolio 3 Fund show projected forecasts and include the following information: '*what you could get back in different market conditions...*' and '*With investing your money is at risk and you could get back less than you paid in*'.

Mr P said that the 6% return figure mentioned to him covered the period when the pandemic was already impacting on financial markets. So he doesn't accept that the pandemic and other world events are enough to sufficiently explain the fund's more recent poor performance – he attributes this to the fund being too heavily invested in equities prone to volatility. But for the reasons I have explained, the fund was structured as described by NatWest and it was Mr P's choice to decide if the investment matched what he was looking for. I think he would've been able to see information that made clear that past performance was no guarantee of future returns and that he would've understood this.

Whilst I completely understand why Mr P wanted to avoid any investment loss, I think it's fair to say that Mr P has consistently maintained it was always his firm intention to invest at a medium level of risk. Investing at this level inevitably carries some risk of making a loss and, from what he's said about his other investments in high risk companies, I think Mr P would've understood that. Mr P has mentioned that he saw there were losses across most of the funds at every level – and the best performance was in a high risk fund. The fact that he feels his investment in the Personal Portfolio 3 Fund dropped quite sharply in value over a relatively short period doesn't suggest to me that the fund wasn't ranked correctly as 'medium risk'.

Mr P has pointed out that the fund is ranked 4 on a risk scale of 1 -7 – he put things this way: '*...So Nat Wests medium risk fund 3 errs toward medium/high.*' But this doesn't affect my overall view because I think it's fair to describe a level of risk sitting around the middle of a scale that ranks risk from 1 -7 as 'medium'.

In order to uphold this complaint, I would need to find that NatWest had provided misleading information to Mr P or treated him unfairly or unreasonably. But I don't find that it did. It was only obliged to provide information to put Mr P in a position to be able to make an informed investment decision – which it did. And NatWest needed to ensure that the information it provided about Personal Portfolio 3 Fund was correct and not misleading – which it was, so far as I can see. For all the reasons I have set out more fully above, I consider that NatWest didn't do anything wrong here and it follows that I am not upholding this complaint.

Mr P has raised several different complaint points over the course of this matter and I acknowledge that he feels very strongly about his complaint. It's part of my role to identify and concentrate on the core issues I need to address in order to reach a fair outcome. I have concentrated on what I consider to be the main points that affect the outcome of his complaint. I appreciate that my decision will be disappointing for Mr P but I hope that setting things out as I've done helps to explain how I've reached my conclusions.

**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 P to accept or reject my decision before 24 August 2023.

Susan Webb  
**Ombudsman**