

## The complaint

Mr D complains that Santander UK Plc ('Santander') caused him an investment loss. He wants to be compensated for the loss.

## What happened

Mr D was a customer of Santander. He had minimal experience in investing. On 6 July 2021 he invested £20,000 in a fund that Santander managed. The fund was Santander Multi Index 2. The fund's stated objective was to provide capital growth with the potential for income over a timeframe of five years or more. It had a risk rating of '*lower medium*'. And it was an actively managed fund comprising 50-70% bonds, 30-50% shares in companies, up to 10% commodities and up to 10% cash.

After making the investment Mr D contacted Santander a number of times because the value of his investment went down. In January 2023 he emailed the following to Santander:

*'I know you said this is a long term investment and I should not be too concerned if the value drops. I have had little experience of this type of investment as I mentioned in our discussions. What I feel concerned about is the amount it has dropping in the first 12 months (£2000) As I said in our discussions I am not a great risk taker so this amount seems excessive to me. I would value your opinion on this before I decide what to do.'*

Santander made a note saying it had spoken to Mr D and discussed market conditions. It said he was under the impression that he had to make investment decisions but the fund was a managed fund. It said Mr D would '*hold on and sit tight*'.

In June 2023 Mr D emailed Santander. He said his investment had continued to fall in value.

Mr D then complained to Santander about the loss he'd suffered. And on 10 August 2023 he sold his investment for about £17,600.

Santander didn't uphold Mr D's complaint. It said it appreciated the concerns he'd raised but they weren't due to a mistake by Santander. It said an exceptional market environment in 2022 affected multiple asset classes across the globe. It said UK and other markets had struggled with various factors, and stock and bond markets had fallen in value. Santander described the performance of other funds, and suggested Mr D look at information about investing it provided on its website and in weekly emails.

Mr D referred his complaint to this service. In summary he said his investment lost money continually over two years. He said the amount he lost seemed excessive for a low-risk investment, and the investment didn't seem like it was low-risk if it was affected by all the factors Santander had mentioned, such as war in the Ukraine. He'd decided to withdraw his money from the investment, due to the amount he'd lost.

One of our Investigators looked into Mr D's complaint. In summary, she said Santander hadn't done anything wrong. She said it provided an execution-only service and that meant it

hadn't advised Mr D on his investment and so it had no responsibility for his decision to invest. The Investigator also said the market had been very volatile over the past couple of years, which was why Mr D was seeing fluctuations, but that wasn't the fault of Santander. And she couldn't see that, as the fund manager, Santander had made any investment decisions that were out of step with the fund's objective.

Mr D didn't agree with the Investigator's view. In summary he said he thought Santander would make the investment for him and he'd be charged an annual fee. He said he wouldn't have made any investment for himself because he lacked the expertise. And he said this was meant to be a low-risk investment and he'd withdrawn his money because the value had been falling and he couldn't afford to lose any more.

Because no agreement could be reached, the complaint was passed to me to review afresh and make a decision.

Before making a decision on the complaint I asked Santander for more information about the service it gave Mr D. Santander said it did give Mr D one-off investment advice in relation to the decision to invest, but it didn't give him ongoing advice. Santander provided documents relating to the advice, including its fact find report, suitability letter and suitability report.

Below I've summarised key information from Santander's records of the advice process.

Mr D paid a fee of £300 for one-off advice, and he didn't pay for any ongoing advice.

On 21 June and 5 July 2021 Mr D and his wife met with Santander and Santander gave him advice about investing £20,000.

On 5 July 2021 Santander carried out a fact find in which it recorded detailed information, including information about Mr D's circumstances, objectives, and attitude to risk.

On 5 July 2021 Santander wrote to Mr D. It said it had enclosed the suitability report which outlined its conversations with Mr D and its recommendations. It asked Mr D to read the suitability report *'in conjunction with the other important documents that were presented to you during our meeting'*.

The suitability report said the information in the report was based on Santander's discussions with Mr D. It asked Mr D to check that it correctly reflected his circumstances and to tell Santander if there were *'any accuracies or omissions'*.

The suitability report also said Santander and Mr D had agreed that the highest level of risk Mr D was prepared to accept was medium risk. And the fund Santander recommended he invest in was rated as lower medium risk. The report said:

*'You are happy to accept fluctuations to your capital, and are aware that this could result in periods of negative growth, but you accept this, as you have a longer term view with this money, and confirmed that you will be able to remain invested during periods of decline ...'*

Santander's Key Investor Information for the fund Mr D invested in included the following:

- The Information was required by law to help Mr D understand the nature and the risks of investing in the recommended fund.
- The fund was rated lower medium risk.

- Investment in the fund should be regarded as a long-term investment. It might not be appropriate for investors who plan to withdraw their money within five years.

### **My provisional decision**

I issued a provisional decision in which I said I was minded not to uphold Mr D's complaint but that I would consider any further comments or information from Mr D and Santander before making a final decision.

Santander said it had nothing to add. Mr D said he still thought the amount he'd lost was excessive and that Santander should be held accountable for that. And he said Santander should've made him more aware of what he could lose given the investment was low risk.

### **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, I'm not upholding the complaint. I'll explain why.

I've found that Santander did give investment advice to Mr D. Santander has acknowledged it did so and has provided records of the advice. So the service it gave Mr D wasn't execution-only. But Santander didn't give ongoing advice. So after Mr D had invested, it was up to him to make any further decisions about whether to retain or sell the investment.

Mr D has said the reason he's unhappy is because the value of his investment went down. I agree with Santander that it's not responsible for the status of the investment market. And I think Santander's description of market conditions in 2022 was reasonable – many investments lost value in 2022 due to circumstances outside the control of investment advisers.

It's important to remember that I can't look at this complaint with the benefit of hindsight. Mr D's investment didn't do very well during the time he held it. But Santander couldn't have foreseen at the time how the investment would perform – so the performance of the investment during the time he held it doesn't necessarily mean the investment was wrong for him. What I must look at is the circumstances at the time to see whether Santander's recommendation appears suitable based on what it knew then.

Mr D thinks the investment he made carried a higher level of risk than he intended to take. He's said the investment was meant to be low risk.

It was Santander who advised Mr D to make the investment, based on its understanding of the level of risk that would suit his circumstances, objectives and stated risk appetite. So I've considered whether the advice Santander provided was suitable for Mr D. If Santander didn't act reasonably when it provided the advice – and in particular if it recommended an investment that didn't match Mr D's circumstances and the level of risk he was prepared to take – then it could potentially be held accountable for Mr D's investment losses. As I've said, investment advisers can't know in advance how an investment will perform. But it's important that – amongst other things – the investments they recommend are aligned to the circumstances and risk appetites of their clients.

The available evidence suggests Santander took appropriate steps when giving advice to Mr D. It carried out a fact find, which involved gathering information from Mr D, including information about his circumstances, objectives and risk appetite. It then recommended a particular investment fund for Mr D based on the information it had gathered during the fact

find. The recommendation was presented to Mr D in a written suitability report which accompanied a suitability letter from Santander addressed to Mr D.

I haven't seen anything to suggest the risk level of the investment Santander recommended failed to match the level of risk Mr D had said he was prepared to take, or the level of risk that suited his circumstances at the time as outlined in the fact find. Although Mr D has said the investment was meant to be low risk, the fact find and suitability report said he agreed at the time that he was prepared to take a medium level of risk, and that Santander recommended a lower medium level of risk. The report asked Mr D to tell Santander if the suitability report contained anything that was wrong. I haven't seen that Mr D disputed the details of the report at the time. So I accept on the balance of probabilities that the report accurately reflected Mr D's circumstances and his conversations with Santander at the time.

I also think Santander gave Mr D enough information to understand what a lower medium level of risk would mean. It made clear that the value of Mr D's investment could go down as well as up, and that the investment was designed to be held for a period of five years or more. It said Mr D had agreed he could tolerate periods of negative growth and could afford to hold the investment for five years or more.

Overall, I'm not persuaded Santander gave Mr D unsuitable advice. So I don't think it's due to any failing by Santander that Mr D made the investment he made. I understand Mr D was disappointed to see his investment reduce in value, but I think Santander had made clear to him that that could happen, particularly in the short term, and that the investment was designed to be held for a longer period of time than he held it.

I know Mr D said he thought Santander would manage his investment on an ongoing basis. As I've said, Santander didn't give Mr D ongoing investment advice, and nor did it have an agreement to do so. But Santander was the manager of the fund in which Mr D invested. There's an inherent risk with a fund such as the one Mr D invested in that investors could lose money. Hindsight can show that different investment decisions would've yielded different results. But that doesn't mean the decisions made by Santander as the fund manager were unreasonable. The fact the value of the fund went down doesn't necessarily mean Santander was at fault as the manager of the fund. I could say Santander had done something wrong here, on this basis, if it had made investments within the fund that were clearly out of line with the fund objectives. But I haven't seen any evidence to suggest that's the case here.

I understand Mr D feels the amount he lost was excessive. But for the reasons I've set out I can't say that is the fault of Santander. As I've said, Santander gave him information showing the risk level of the investment was lower medium and that the value of the investment could go down as well as up. And Santander said the investment was intended to be held for a period of five or more years. And I haven't seen anything to show Santander failed in its duties as the manager of the investment fund either.

I'm sorry to know Mr D lost money when he decided to sell the investment. But I don't have any basis to hold Santander responsible for that. So I won't be asking Santander to do anything.

### **My final decision**

For the reasons I've set out above, my final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 June 2024.

Lucinda Puls  
**Ombudsman**