



Case study: Investments

Unsuitable Investment Advice

Themes: Unsuitable investments, active investors, investment concentration, investor risk profiling, industry benchmarks

Mrs T wanted to invest £166,540 in order to provide herself with an income. She sought advice from her financial advisor at Financial Adviser Company Y, who assigned her a risk rating of 'medium' and recommended a portfolio of five investments.

£37,500 was invested into a traded life policy investment fund. This investment represented 22.5% of the portfolio, and 3.5% of Mrs T's total investable assets of £1,059,500.

The fund was presented as a 'lower risk' investment and had historically stable returns of between 7% and 10%; which we considered to be consistent with returns on low to medium investments during that time period.

Two years later, the UK Financial Conduct Authority (FCA) released a statement concluding that traded life policy investments were generally high-risk investments and only suitable for sophisticated investors. A large number of investors tried to redeem their investment into the fund following this statement, and the fund was suspended as a result.

Mrs T raised a complaint against Financial Adviser Company Y, saying that the fund had been an unsuitable investment for her. Mrs T considered herself to be an inexperienced investor, and said that Financial Adviser Company Y failed to explain the risks associated with the fund.

Notwithstanding the comments made by the FCA about traded life policy investments generally, we found that it would not have been unreasonable to consider the fund a low to medium risk investment at the time. In addition, the investment was not overconcentrated and represented a very small proportion of Mrs T's total investable assets.

We did not agree that Mrs T was an inexperienced investor. Mrs T had taken a keen interest in her investments, directing Financial Adviser Company Y on a number of occasions. Y's rating of her as a medium-risk investor was not inappropriate.

On this basis, the Ombudsman's final decision was not to uphold the complaint.