



## Case study: Investments

### Unsuitable Investment Advice

Themes: Unsuitable investments, placing complainants back in the position they would have been in, opportunity costs, reasonable benchmarks for investment returns

Mr F was advised to invest £55,000 into an investment fund by his independent financial advisor. Later it was found that the advice had been inappropriate and the fund had been unsuitable for his circumstances. The financial advice provider offered to refund Mr F his original investment.

Mr F did not accept, and requested interest of 8% on his original investment for the period he was invested, plus a substantial sum for the stress and inconvenience the matter had caused him. Because they could not agree on the appropriate amount of compensation, Mr F referred the complaint to our office.

We aimed to put Mr F back into the position he would have been in if he had received suitable advice, and decided he would have been in a low-risk investment. We also considered that Mr F was entitled to receive a return on the amount invested at the rate a low-risk investment would have achieved during that same time period he was invested.

We did not agree that any low-risk investment could have been reasonably expected to return an annual compound rate of 8% over the period as claimed by Mr F. We used a standard investment benchmark for a low-risk investment portfolio to calculate the appropriate annualised return over the period which we determined to be 4.1%. Both parties agreed, and the provider paid back to Mr F the original amount invested, an additional amount representing the 4.1% annualised return on the amount invested, and an additional payment of £250 for the distress and inconvenience caused.