Case study: Banking

INVESTOR INCURS LOSS DUE TO EARLY SURRENDER

Themes: Fees and charges; process and procedures; investment risk; hard sell

This complaint relates to a bank's investment advice, the complainant's withdrawal from the investment, and the subsequent surrender charges the complainant incurred as a result.

In December 2019, Mrs A wanted to invest some savings and visited her bank who completed a financial planning report for her. Mrs A's financial planning report profile concluded that she wished to remain invested for 10 years or more, with a moderate level of investment risk. Mrs A was advised by her bank to carefully read all the information they had provided.

The bank recommended a single diversified investment product for Mrs A to invest in which the bank anticipated would pay interest of 3% per annum. Mrs A agreed and invested £75,000 from her savings accordingly.

Less than a year later, Mrs A visited the bank to check on the value of the investment she had made and was told the value of her investment had dropped due to market turmoil arising from the Covid-19 outbreak. Mrs A decided to withdraw her funds and incurred a cost of approximately £6,000 for surrendering the investment only 10 months into a 10-year fixed investment plan.

Mrs A made a complaint to the bank as she felt that the Covid-19 outbreak was prevalent in the news at the time she invested, and the bank should have advised caution against investing at such a time. Mrs A also felt that as she was only offered one product, the bank had used 'hard sell' tactics to coerce her into investing in that specific option.

The bank advised they had provided a suitable investment based on the information provided by Mrs A and that all the relevant paperwork had been completed and signed. The documentation included a confirmation that Mrs A was aware of the risks associated with the product that the bank had recommended. Therefore, the bank did not uphold the complaint and referred Mrs A to CIFO.

CIFO investigated and noted that Mrs A had signed a declaration confirming that she was happy to remain invested for 10 years and was fully aware that the investment may not make the return that was anticipated. CIFO also decided that the bank's process for recommending one suitable diversified investment product was reasonable under the circumstances and that the bank should not be responsible for the loss incurred with Mrs A's investment. CIFO concluded that nobody could have reasonably foreseen at that time the effects Covid-19 would have on the financial markets and Mrs A made the choice to invest at that time. CIFO did not uphold the complaint.