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Mis-sold Investments

"Billions of pounds up in smoke after the collapse of several banks"

Have you lost money on your investments, even though you were advised that they were "safe", "low risk" or perhaps "Guaranteed" or "Protected"? If so, you might have a valid claim for financial compensation.

There are many investments available to retail investors, but one type that has come to the fore over recent years is the investment plan known as a Structured Product, Capital Protected Plan or Guaranteed Investment Bond.

These investments are sold by advisers as a "packaged product". They appear fairly straightforward and often have predetermined rates of return, or minimum maturity values.

They can be structured for high risk, or low risk, investors but in the past few years many advisers have been selling them to low risk, and even risk averse investors.

Some plans are suited to low risk investors, but there are many that are not. The financial meltdown that we have witnessed across the globe over the past few years has exposed the true risk of some plans, which has resulted in many people losing tens of thousands of pounds (in some cases hundreds of thousands).

Whilst such an investment can have a place in an investment portfolio, it is essential that your adviser explained the risks and structured your money so that you do not 'put all your eggs in one basket'.

There have been some cases where an adviser put all of a person's retirement savings into one plan – this is grossly negligent and no professional adviser should do this. Negligence means responsibility, so we can claim compensation where it is clear that your adviser has either not acted with due care, not given suitable advice to reflect your circumstances or not explained the risks involved.

If you have a large amount to invest, then it should be split between different investment types and providers to ensure you are not overly exposed to the failure of one or two plans. If you have little to invest then you should not really be exposed to a significant potential loss should the investment fail.

Unfortunately, many investors put too much in one plan, or with one provider (i.e. several plans but all exposed to the failure of one issuer/bank).

Often, the reason why only one investment provider is chosen is that it reduces the administration burden for the adviser and also reduces the need for him/her to understand the whole range of plans available in the market (which is a demanding requirement and often not feasible for a small firm of advisers, especially given that many are one or two man bands).

An Independent Financial Adviser should give you suitable advice with due regard to the whole market, not just one or two providers and it is a failing if they do not.

So where is the risk?

Well, when you invest in these plans, in many cases (though not all) your money is being lent to the plan issuer (often a bank, such as Barclays or Lehman's). The issuer then offers to repay your money at a future date (hence why they are often called capital protected), often between 3 to 6 years in duration, along with a profit that is linked to an underlying investment.

The two main risks are:

- 1) The plan issuer gets into financial trouble, perhaps through mismanagement, and is unable to repay your money at maturity. They will then be in default and most likely bankrupt. This means that you may not get any of your money back, or, at best, a heavily reduced proportion. In such a situation, your "protected" or "guaranteed" investment is no longer as described and you suffer heavy losses that are not consistent with a low risk tolerance.
- 2) Although most of the money is loaned to the plan issuer, there is usually a portion that is used to invest in financial products, known as derivatives, which give the potential profit element of the investment plan. For example, if your plan is based on the FTSE-100 stock index rising, then there will be a derivative issued by a "counter party" (often a bank) which promises to pay the defined returns at a given level of performance of the index. The risk is that the "counter party" issuing the derivative gets into trouble and is unable to honour the derivative contract. You would then lose the value of the derivative and any of the gains initially promised.

The level of security depends on the **current** financial strength of the issuing company and any counter party.

You also have to take a view on what the **future** financial security will be throughout the term of your investment.

3 to 6 years is a long time and much can happen, so there is a degree of unpredictability for which no one can be responsible. However, any decent financial adviser should have regard to the current practices of the plan issuer and counter party and if they are known to be taking high risks then you could take the view that there is a risk of default if things turn sour.

Unfortunately many advisers do not carry out the necessary research to justify their advice and simply rely on the marketing material produced by investment providers. This negligence can expose your money to risk.

Research and due diligence cannot avoid all risk, but at least it provides a sound basis for any advice.

Prior to the credit crunch, Lehman Brothers Bank had the highest credit rating available so was considered a low risk counter party. However, its practices involved taking significant risks that the credit rating agencies failed to take into account.

The high profile failure of this bank has served to highlight the risks involved with **structured investment plans, capital protected plans** along with **guaranteed investment bonds**.

If you have lost money because you were advised to invest in any plan without the risks being explained to you, or even if the risk was explained, if you feel that the advice was not suitable, perhaps because too much of your overall money was put into too few plan providers (or with the same counter party) then you may have strong grounds for compensation.

Some investment plan providers that have been caught swimming naked as a result of the tide going out include Keydata, Arch Cru, Defined Returns, Lehmans, Stanford, Madoff etc.

If you need help trying to get your losses back, you should consider using the services of a competent claims management company, such as ourselves at Lower Cost Complaints Ltd.

If you have money to invest, or need financial advice, you should speak with a qualified, professional Independent Financial Adviser with integrity beyond reproach. If you would like to speak to such an adviser we can put you in touch with one, as he also provides us with his expertise on a consultancy basis to help win our clients financial compensation.

So if you believe you have a mis-sold investment, please get in touch today.

Source: www.lower-cost-complaints.co.uk