



**Financial
Ombudsman
Service**

Alex Cunningham MP
House of Commons
London
SW1A 0AA

15 March 2017

from **Caroline Wayman**
chief executive &
chief ombudsman

write to **Financial Ombudsman Service**
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Dear Mr Cunningham,

Parliamentary question reference: 66530 & 66531

As the Financial Ombudsman Service is an independent body, I am writing to you in response to your recent parliamentary questions about the ombudsman service. Your questions were:

To ask Mr Chancellor of the Exchequer, how many people who are certified as high net worth investors have made a complaint to the Financial Ombudsman Service about being advised to invest in a non-mainstream pooled investment in the last three years.

To ask Mr Chancellor of the Exchequer, how many people who have been certified by a financial adviser as sophisticated investors have made a complaint to the Financial Ombudsman Service about being advised to invest in an inappropriate non-mainstream pooled investment in the last three years.

Before addressing your questions, I hope you don't mind if I set out some background about the ombudsman service. We were set up by Parliament to resolve disputes between consumers and financial businesses informally, fairly, quickly and reasonably. We deal with complaints across a wide range of issues – from complex investments to pet insurance and payday loans. A consumer doesn't have to accept our decision, but if they do it is binding on both them and the business.

The way our data is recorded does not allow us to say how people with complaints about non-mainstream pooled investments were certified by a financial adviser. We have however seen around 500 complaints per year about non-mainstream pooled investments in the last three financial years, including 2016/17. As I'm sure you are already aware, in January 2014 the regulator for financial services, the Financial Conduct Authority (FCA) introduced restrictions on the promotion of non-mainstream pooled investments to retail clients. This typically means that these forms of investment can now only be promoted to sophisticated and high net worth investors.

The most common complaints that we see involving non-mainstream pooled investments are related to the suitability of the investment. When looking at these complaints, we would take into account a number of factors, including whether the adviser assessed the investor's attitude to risk, whether the investment reflected this risk profile and whether all the risks were adequately explained to the investor. We also see complaints that an adviser has deliberately or mistakenly mis-categorised an investor as either high net worth or sophisticated in order to promote or recommend such an investment to the consumer.

In dealing with all complaints, we look carefully at the individual circumstances to decide whether the consumer was treated fairly and reasonably, taking into account all of the relevant factors, including the relevant legislation, rules and guidance, and industry good practice at the time – if we

decide that they were not then we can award fair compensation, which will typically involve asking the business to put them in the position they would have been in if the advice they had received was appropriate.

This letter is being copied to Simon Kirby MP, Economic Secretary to the Treasury, to be placed in the Library of the House of Commons.

Yours sincerely

A handwritten signature in black ink, appearing to read 'CW--', with a stylized flourish at the end.

Caroline Wayman
chief executive & chief ombudsman