

The problem

ERIC NOBLE was satisfied with the returns on a Norwich Union bond he had held for nine years.

But then his financial adviser persuaded him to switch his £88,000 to a Standard Life bond.

Eric, 81, admits: "He showed me charts and seemed convinced this was the right move. I especially remember him saying how we'd be thanking him in a few years."

But 12 disastrous months later, Eric has just £61,000 left. He and his wife rely on the savings, taking income to boost their pensions.

Fearing he will have nothing left soon, Eric turned to Your Money.

"When I complained to the adviser, he changed the funds to cash-based ones. Is there anything more we can do?" he asks.

The solution

ERIC'S case raises disturbing questions about incentives and

My money shrank in new bond

Maisha Frost comes to the aid of an 81-year-old who feels badly advised

savers' vulnerability. He followed advice from someone he trusted but is now locked in to losses.

The issue here is not about the Standard Life bond being better or worse than Norwich Union's. The nub is whether the product Eric was recommended to move into was right for his circumstances and

whether any risks were made crystal clear. He was approached when he was 80, with less time and opportunity than, say, someone in their 60s for his savings to recover from a poor performance.

Also, he and his wife relied on the bond to provide income. He wanted safety and is definite that this is what

he thought he would get. "As I understood it, the bond was low-risk but would give better returns," he explains.

Independent investment expert Nicola Downs analysed the fund choice in Eric's bond, however, and says: "It is in just two asset classes: shares and property, both unsuitable.

"I would never recommend this selection, and one so limited, for someone of Eric's age and circumstances. My advice would be for a tailored mix of cash, fixed-interest corporate and government bonds.

"There is no way this is low to medium risk. "It seems as if it was presented to him as being able to make 10 per cent growth, compared with Norwich Union's 4 per cent, but that was based on past performance when the market was good. No consideration of risk seems to have been made. He is totally exposed."

Eric has taken £4,200 income and lost a further £17,000 (19 per cent of the value). Fee structures on bonds are complex but the adviser's commission on this one is £4,400. Eric did not pay him directly but may ultimately foot that bill through charges. At the least, it raises



SEEKING SAFETY: Eric says he wanted a low-risk investment

questions about the incentive the adviser had to persuade him to switch. Clients who pay advisers upfront face less risk of conflicting motives.

Eric is advised to make a claim of mis-selling to the free Financial Ombudsman Service (FOS). The FOS is currently assigning staff to guide some more vulnerable consumers, such as older people, through the claims process. "We are monitoring cases to see if this makes a real difference before deciding whether to roll this out nationally," says a spokeswoman.

If Eric wins, he would be put back to the position he was in when he switched. "I will certainly be taking up this offer," he says.

● **Nicola Downs:** 01306 881999, trenthaminvest.co.uk, FOS: 0845 080 1800, financial-ombudsman.org.uk

Where's the catch?

BEFORE committing cash, savers should be aware how independent the advice they receive is. When customers pay for their advice, this removes conflicts of interest. Watch for too-good-to-be-true offers, for example if you are told the advice is free — it never is — or your investment is getting an "enhanced allocation" (more than 100 per cent of the capital). It's your right to know, so check:

- Commission: how much (figures not percentages), who is paying, where is it taken from, who is getting it and how is it paid?
- Charges: how much to set up and, what will you then pay each year? Shop around for comparisons.

If you have a problem, write to Maisha Frost, Sunday Express, 10 Lower Thames Street, London EC3R 6EN or email maisha.frost@express.co.uk. Please only send copies of documents, not originals and always include your phone number.

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