# How can advisers help clients hit by poor bank advice?

By Joanna Faith

The IFA industry has been abuzz this week following a BBC *Money Watch* programme highlighting the plight of thousands of customers mis-sold a 'Balanced' fund by Barclays 'salespeople'.

Victims also protested at the House of Commons last week in a bid to speed up the compensation process. Many lost their life savings after Barclays' advisers recommended they put huge sums of money into the Aviva Global Balanced Income fund. The fund was a high-risk stock market investment but was sold by Barclays to investors with lower risk profiles.

The programme reported on the case of Sue Murton from Aldeburgh who lost £17,000 of her life savings. She went into Barclays looking for a "cautious-to-medium" risk investment and was advised to put £50,000 into the Aviva fund. However, within months, her savings had plummeted.

And she is not alone. According to the BBC, hundreds of customers complain to the Ombudsman every year after receiving shoddy advice from in-branch advisers.

Barclays now says it has agreed a new approach with the Financial Ombudsman Service to handle outstanding complaints with, the majority set to be resolved in the next few weeks.

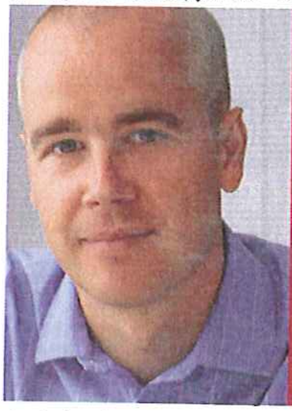
But the fall-out from this and other high profile cases is set to continue and could even make other people question their banks' advice. So how do IFAs cope when they try to help new clients who have suffered at the hands of their local bank branch?

Sam Caunt, partner at Northampton-based Kingston IFA, says getting hold of clients' information is one obstacle.

"You often find clients' money is tied-up in products, such as investment bonds, which you just can't touch.

"So when you come to do that client's risk profile and asset allocation, you find you are really restricted in what you can do," he says.

"If a significant chunk of the client's money has been put into high-risk vehicles, you are simply forced to arrange lower-risk options for the client to balance the portfolio. You do not have a great deal of control over what you can do."



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Peter Chadborn, director of IFA firm CBK Colchester, believes banks carrying out poor risk analysis lies at the root of the problems.

"The first port of call for all investment-based advice should be an appropriate analysis of risk and assessment of the client's tolerance to volatility which doesn't happen in banks," he says.

"Most people go into a bank and have just one conversation. In-branch advisers don't do a detailed enough fact-find and their interpretation of 'medium risk' differs from the consumer's.

"It could be that the material and training about the products is not appropriate enough but it is more likely the adviser doesn't carry out detailed enough analysis."

Park House Financial Services' Richard Davis, the IFA who helped Mrs Murton claim back compensation from Barclays, says the reason consumers turn to banks for their investment advice is the obsolete view these institutions look out for their best interests.

He says this attitude is generational: "It is the elderly who think banks are responsible and venerable institutions with their best interests at heart.

"The majority of people who complain are people at or near to retirement age who have been put in unsuitably risky funds. Young people are more likely to see banks as money supermarkets.

"I get 60, 70 and 80 year olds who say 'I've banked with them for 50 years' but these people haven't kept up with the times. The nature of banks has changed."

Over the last year, Davis has dealt with 80 complaints from disgruntled consumers. His experience has led him to conclude banks should not be involved in investment advice at all.

"Investment advice is all about relationships and when you buy products from a bank there is no relationship. You normally just get put through to a call centre and you get no ongoing counselling if things go wrong."

Davis believes banks are in a privileged position because they know the financial situations of clients and can pass this information on to their advisers who can push in-house products.

He says: "It is unethical. Customers are treated like tethered goats and eventually they cave in."

Caunt says problems stem from banks providing advice in isolation. This means a branch adviser sells customers specific products without considering the rest of their circumstances and without carrying out a holistic fact-find.

"Almost all of our new clients come to us with something with the banks where it appears to have been done in isolation," he says.

Despite efforts by the FSA to improve the standards of financial services, Caunt thinks people will continue to receive bad advice from banks even after the RDR.

"I can see these problems continuing because banks play the numbers game. They sell as much as they can for as little effort as they can."

Davis believes consumers should be wary of the labels banks apply to products, saying that 'cautious funds' are a misnomer.

"Investors need to approach with care anything labelled 'cautious'. Distribution bonds, for example, are supposedly for 'cautious' investors but they have the potential to drop like stones."

When people concerned about their investment advice from a bank approach Davis, he first carries out a complete fact-find to see if the complaint is valid. He then puts together the complaint to send to the bank. Davis doesn't charge a fee for this as he hopes his actions will have guaranteed him a new client.

Meanwhile, Chadborn, an ex-Barclays employee, says he wouldn't get involved if a potential client approached him, unhappy with the advice they had been given by a bank.

"We couldn't be seen to be enticing a complaint that might not be there. It is potentially not appropriate," he says.

"The Ombudsman would only ever look at the source of the advice anyway.

"Despite the credit crunch, consumers still trust high street brands and unfortunately they only learn the hard way. People need to distinguish between advisers they pay and advisers employed by banks to flog their products who aren't working for the client."

Chadborn says more accountability is needed from the banks because bank advisers will always hide behind their institution.