

Barclays 'misled customers into risky investment'

By James Salmon

MONEYMAIL SPECIAL
INVESTIGATION Pages 38-43

HUNDREDS of loyal Barclays customers have seen half their life savings wiped out after the bank 'misled' them into gambling their money on risky investments.

The victims, many of whom are retired or close to retirement, claim they were advised to move their money from safe savings accounts and low-risk investments into a high-risk stock market fund.

Many had banked with Barclays for years and trusted it to give sensible advice.

Crucially, Barclays told them the funds were suitable for cautious or

balanced investors and allegedly gave them no clue of the true risks they were taking.

David and Sheila Morgan, of Milton Keynes, Buckinghamshire, were advised to cash in several low-risk investments and put £360,000 into Aviva's Global Balanced Income fund. But the fund's value fell by 45 per cent in the 12 months to this March and they have lost £188,000.

Mr Morgan, 67, who has been with Barclays for 50 years, said: 'I

shouldn't have trusted their advice. But you put your faith in these people. We've worked hard all our lives for this money, so to lose it like this is devastating.'

Jack and Jean Sayers, of Thornthorpe, East Yorkshire, have banked with Barclays for more than 50 years.

Mr Sayers, 79, was advised to invest £232,534 into the Aviva Global Balanced Income fund.

By February 4 he had only £117,774 left. He said: 'I had always found them helpful but I'm approaching 80 and the last few months have been a bit of a nightmare.'

Almost 100 other investors have contacted Money Mail in the past week telling similar stories.

Most were persuaded by Barclays financial advisers to invest in the Aviva Global Balanced Income fund. Barclays was paid by Aviva to sell the fund.

Financial advisers have accused the bank of breaking basic rules of advice by investing most of their customers' money in just one fund and increasing the risk they were taking as they approached retirement.

Adrian Lowcock, from financial adviser Bestinvest, said: 'Barclays has misled investors about how risky these investments are. Its advice has been wholly



Sheila and David Morgan: They have lost half their life savings

inappropriate for investors in or approaching retirement.

'Using just one fund to spread their risk falls short of even the most basic principles of investment advice.'

Nick Bamford, from financial adviser Informed Choice, said: 'This looks like a classic case of mis-selling. This risky fund was clearly sold to people who did not want to or could not afford to gamble their life savings.'

The Aviva Global Balanced Income fund is invested in shares of companies around the world, including in the Middle East and

'This is devastating'

Africa - as well as risky corporate bonds. It is one of the worst performing funds of its type.

Customers pay an initial charge of up to 4.5 per cent of any money invested and every year the bank gets 1.16 per cent commission from the investor's savings.

Since selling the balanced fund to investors Barclays has reclassified it as 'adventurous'.

Despite the gaffe, it is refusing to pay compensation to all of

those who claim they were mis-advised about the risks.

It claims it has compensated most of the investors who were sold the fund between July and December 2007.

But investors who have contacted the Mail say they have not received compensation and those sold the fund before July 2007 have received no help.

A Barclays spokesman said: 'Under the original framework, the [Aviva Global Balanced Income] fund was assessed as "balanced".'

'A new, different methodology for assessing customer risk appetite was introduced over several months commencing in July 2007.'

'The fund is rated as "adventurous" under this framework, although due to a procedural error it was sold as "balanced" to clients who went through the new methodology between July and December 2007.'

'We believe customers who received investment advice prior to the introduction of the new risk-rating framework were appropriately assessed in accordance with the process in place at the time.'

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