

Bank bashing seems very popular at the moment so I thought I would join in! It sometimes seems to me that the regulators have forgotten why they exist: - to protect the public.

It seems that provided everything that must be declared is declared, i.e. charges, commissions, risk warnings, the fund managers inside leg measurement etc., then it does not matter whether or not you have received good quality advice, provided they comply with the rules you have no grounds for complaint.

As examples of this, we have had two cases in the last week whereby Bank advisers have complied with all the rules but the advice they gave has been truly horrific.

We recently saw a couple in their early 70's, who went to a bank for advice last October, looking for a higher interest rate on their cash. They finished up with a With Profit Bond "locking up" their money for ten years. What's the point in having money at age 70 that you cannot touch!

Why should they do this? Well at the end of ten years the Bond "guarantees" to give them their money back, so they can't lose it! This type of bond almost stopped in 2002 and led to the creation of "Zombie" funds, Money that's so safe it is unlikely to grow, building society accounts can produce better returns.

Why the bank would suggest a plan that paid them £900 commission I have no idea. There are no grounds for complaint as the letter from the bank covered all the points the Regulator requires, the fact that it's truly appalling advice is irrelevant.

Even worse was another case where a 60 year old male trusted his bank to advise him correctly about his pension options. His maturing plan had a built in guarantee that had the effect of doubling the value of his pension fund, it was that good.

The bank however thought that as he would continue to work, there was no point in taking the pension and paying lots of income tax, he should defer it five years until he was 65. However this lost the guarantee. There is almost no chance whatsoever that he will be better off in five years time and in the meantime he has lost a substantial guaranteed income, even though he would have paid income tax on it.

Why do it: - £7,500 commission to the bank. Complain? He is. However the 30 page report from the bank covers all the legal requirements and states that this was his idea (he missed that point, buried in all the legal detail) so it is unlikely he will recover his loss, which we calculate as over £110,000.

Please do not let their size mislead you into thinking Banks know what they are doing; they're that big because they make lots of profit out of their customers. See an established local IFA; to stay in business they must give their clients the right impartial advice, after all the Government is not going to bail out a failed IFA are they!