

# Investors' life-savings are ravaged in Barclays scandal

### SPECIAL REPORT

By James Salmon

MONEY MAIL has been flooded with complaints from retired investors who claim Barclays misled them into gambling their life-savings on the stockmarket.

Last week, we highlighted how one investor's life-savings had been devastated after he was sold the high-risk Aviva Global Balanced Income fund which had been packaged as a lower-risk 'balanced' investment.

Since then we have heard from many more loyal customers who put their trust in Barclays. They said they did not want to take a risk, yet had their hard-earned savings dumped into similar funds.

For some, half of the money they took a lifetime to save has been wiped away in just one year. Some pensioners have lost more than £100,000.

John McCartney, 62, from Boston, Lincs, lost £112,000 after putting his faith in Barclays. It told him to plough £200,000 into the Aviva Global Balanced Income fund (see panel, right). He says: 'I made it clear I can't afford to take much risk.'

The fund plummeted 45 pc in the 12 months to March this year. Graham Jones, from Llanelli, Wales, saw £28,000 wiped from his life-savings after investing £76,000 in Aviva Global Cautious Income.

'If I'd known then what I know now, I'd have kept my money in the building society,' he says. Experts say Barclays has been breaking one of the first principles of investment — which is not to put all your eggs in one basket. The scandal also throws the spotlight on funds that are given misleading names. Earlier this year, insurance giant Standard Life was forced to compensate 100,000 pension savers who lost money in its 'cash' fund — which was actually invested in toxic mortgage debt.

And, as it did initially with Standard Life, City watchdog the Financial Services Authority appears to be doing little to protect savers from being misled.

Aviva Global Cautious Income was sold as low-risk by Barclays salesmen. Yet despite being labelled 'cautious' — which to most investors would imply that the risk of losing your money is low — savers in this fund have lost 22.4 pc over the past 12 months. Furthermore, the fund is actually rated 'aggressive balanced' by investment analyst Morningstar.

Industry rules on fund names are lax. So-called cautious funds can invest up to 60 pc in shares — which are one of the more risky

types of investments, while balanced funds can invest up to 85 pc in shares.

Robert Reid, of financial adviser Syndax Financial Planning, says: 'We need fund categorisations that actually mean something. Any adviser who relies on these woolly categorisations to assess a fund's risk is not worthy of being called an adviser.'

The insurance industry is investigating the way it classifies funds, but the Investment Management Association, the trade body representing fund managers, says categorisations 'should not be interpreted as risk-based'.

'Firms have always had to ensure their marketing literature is clear, fair and not misleading.'

But Adam Phillips, acting chairman of the Financial Services Consumer Panel, says: 'It cannot be fair to label funds as low-risk when they are not. We have been asking the FSA to show us how they will be enforcing our Treating Customers Fairly initiative in practice through its supervision, and this is one of the examples which we are following up.'

Barclays has since changed the way it describes the Aviva Global

## They went to Barclays for advice on how to keep their money safe. Now they face ruin after being sold high-risk investments

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'We have worked hard for the small amount of capital we have, paid our taxes and put three children through university.'

Barclays claims to have compensated some who were sold the Global Balanced Income fund between July 2007, when it was reclassified, and December 2007, when it finally stopped selling it as a balanced fund. But all investors who have contacted Money Mail say they have not been offered compensation.

The independent complaints service, the Financial Ombudsman Service, has been receiving a growing number of complaints from investors who feel they have been misled by firms about the risks they are taking.

A spokeswoman says: 'We have upheld a number of these cases where it is clear that consumers were advised to invest in funds that were not suitable for their needs, and where the risks involved haven't been clearly explained.'

'IF BARCLAYS sold you either of these Aviva Global Income funds, write to James Salmon at Money Mail, Daily Mail, Northcliffe House, Derry Street, London, W8 5TT, or email j.salmon@daily@mail.co.uk

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Mistled: Janet and John McCartney

**WE LOST £112,000**

THE McCartney family has banked with Barclays since 1911. So when John McCartney was forced to sell up the family butcher business to help care for his wife Janet — who suffers from severe multiple sclerosis — he had no hesitation in going to the bank for advice. Mr McCartney, 62, wanted an income to supplement his wife's allowance, but was not ready to take big risks. Barclays promptly gambled the couple's nest egg on the stock market. The adviser recommended he put £200,000 — the lion's share of

the money raised from selling his business and land — into the Global Balanced Income fund. Eighteen months on, it's worth £88,000. Mr McCartney says: 'They just treated us like hicks from the sticks. My butcher's shop has been in the family for three generations, but I sold it because I needed to care for my wife. I made it clear I can't work because I need to care full-time for my wife and I can't afford to take much risk.' The McCartneys, from Boston, Lincs, say they were not contacted or compensated by Barclays.

### THE WHISTLEBLOWERS

THREE former Barclays financial advisers have described a bonus-driven sales culture at the bank. All three, who wish to remain anonymous, claim they were given misleading information about the funds they were selling. They claim they had to make a minimum of £3,000-a-month commission for Barclays to get a bonus themselves. They earned this by gaining 3.75 pc commission from each product they sold. One of the former advisers, who resigned last year, claims: 'Barclays misled all advisers that the Aviva Global Balanced Income fund was "balanced". Nowhere in the information did it say that the fund would lose money. We were under enormous pressure to sell as many products to clients as possible. Our target was to see 16 people a week and we had to earn a certain amount of commission before we'd be eligible for a bonus. If we didn't make the target, we'd receive only our basic salary — and Barclays would pocket all the commission. I resigned because I wanted to be an adviser, not a salesman.' One of the other advisers described how employees were given a limited number of funds to sell. He claims: 'These are split up between cautious, medium and high-risk. The Aviva Global Balanced Income fund was one of the few "balanced" funds that generated a decent income. It was difficult to recommend anything else to savers wanting an income.'

### WHAT BARCLAYS SAYS

'BARCLAYS advisers were, and still are, paid a salary and bonus. The bonus was related to activity and qualitative factors. There was a standard rate of 3.75 pc. Advisers do not receive commission. The product literature, training and the reports given to customers all emphasise that the value of the fund and the income it pays could rise and fall and that clients may not get back what they invest. Warnings about the potential for capital loss are on five of the six pages in the fund brochure. The Aviva Global Balanced Income fund was assessed as "balanced", but the new methodology was introduced in July 2007. The fund is now rated as "adventurous", although an error meant it was sold as "balanced" between July and December 2007. "Except for a small group that we are still processing, we have provided compensation to all customers who were impacted by this error. 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. We believe that process to have been robust, a view confirmed by an independent, actuarial consultant. We believe placing the Global Cautious Income Fund in Morningstar's "aggressive balanced" category to be in error and that it should be in its "cautious balanced" category.'



### I LOST OVER £50,000

IN MAY 2006, Lona Fudge (left), now 61, approached Barclays for advice. She was due to retire from her job as a secretary the following year and was looking for an income to boost her small pension. She was advised to switch £83,384 — the bulk of the money she inherited after the death of her husband in 1978 — into the Aviva Global Balanced Income fund. She then added a £25,000 lump sum from her pension, taking the total investment to more than £100,000. By January this year, her life savings had halved in value. Mrs Fudge, from Morden in South-West London, says: 'I have never touched a penny of this money. I can't believe Barclays have lost it in a year. I had stated on various occasions that I was a low-risk investor. The stress has been unbelievable. I face being yet another poor pensioner.'



### WE LOST £114,760

JACK and Jean Sayers (left), from Yorkshre, have banked loyally with Barclays for more than 50 years. When they needed advice, they trusted the bank to provide it — but have seen their life-savings destroyed. Mr Sayers, 79, was advised to invest into the Aviva Global Balanced Income fund the £232,534 he had built up since the sale of his North Sea diving business. A Barnardo's child who joined the Navy when he was just 15, Mr Sayers says he wanted to boost their income and was prepared to take a little risk. By February this year, his investment's value had fallen to £117,774 — a loss of £114,760. He says: 'I have banked with Barclays for a very long time and always found them helpful, but I'm approaching 80 and the last few months have been a nightmare.' The Sayers say they have not been contacted or compensated by Barclays.



### WE LOST £26,000

GRAHAM and Julie Jones (left), say they were led to believe they were investing in a 'cautious' fund. But it turned out to be anything but. In February 2007, Barclays advised them to invest the bulk of their life savings and Mrs Jones's pension lump sum — a total of £75,000 — into Aviva Global Cautious Income fund. But the fund is described by investment data expert Morningstar as 'aggressive balanced'. By February 2009, the fund had dropped to £49,000. 'We feel we've been misled — we couldn't afford to risk our savings,' says Mr Jones, 63.