

Correspondence with the Financial Ombudsman Service on the knowledge levels amongst case handlers and financial advisers on Ethical Investments.

This correspondence led directly to the provision of training to FOS case handlers on the subject of ethical investment on 19 February 2004.

2 December 2003

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"Ethical" Investment - Investment Case Round-Up

Dear Sirs,

I refer to Issue 31 of Ombudsman News, dated September 2003. On page 11 the first of the Investment Case Round-Ups refers to an "Ethical" Investment bond.

The implication of your comments is that "ethical" investments are higher risk. This very simply is not true. There are at least two banks in the UK that adopt a socially responsible approach and which offer interest bearing deposit accounts.

Also, there are a number of products providers that offer ethical / socially responsible corporate bonds funds.

Whilst I accept the most common form of ethical / socially responsible investment is in shares, the simple fact is there are, and have been for several years now, other lower risk alternatives. What is more, several product providers are developing / offering commercial property funds run on ethical / socially responsible guidelines.

So to emphasise this point, we now have available ethical / socially responsible:

- interest bearing deposit accounts
- corporate bond funds
- commercial property funds
- equity funds

As all independent financial advisers can advise on the whole spectrum of products available, there really is no reason for not matching a client's desire to invest in an ethical / socially responsible manner with their attitude to risk.

Given the above, I wonder how in the future the FOS might treat complaints about advisers ignoring the wishes of clients to invest in an ethical / socially responsible manner.

Equally, I would encourage all existing financial advisers to improve their knowledge on ethical / socially responsible investment and to ask clients an open question during factfinding about ethical / socially responsible investments.

If advisers or advisory firms want to find out more about ethical / socially responsible investment, the following may be helpful:

- Ethical Investment Association [www.ethicalinvestments.org.uk](http://www.ethicalinvestments.org.uk)
- UK Social Investment Forum [www.uksif.org](http://www.uksif.org); [helen.barnes@uksif.org](mailto:helen.barnes@uksif.org)

Yours faithfully,

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