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Don't fall for West Brom bonds, says Downs

By Iain Martin | 09:30:00 | 10 September 2008

Adviser Nicola Downs (pictured) has slammed the West Bromwich Building Society for its guaranteed bonds.

Clients would be better off with a bank account than the bond which is linked to the FTSE 100, said the Dorking-based adviser. The 3% upfront commission was the only reason why brokers or advisers would recommend the deal, said Downs.

The building society's guaranteed return bond promises to pay a minimum return of 14% or a maximum of 40% over the four-year term.

The minimum return would be just 3.5% per year while the FTSE would have to rise over 2,000 points for customers to get the maximum return, said Downes.

'If there was 40% growth of the FTSE it means it would be 7,743. What chance is there of it going up to that?' wondered Downs of Trentham Invest.

'I asked the [West Bromwich Building Society] rep to say what the key reasons are for recommending this bond and he didn't know; they are just flogging policies,' said Downs of Trentham Invest.

West Brom was targeting mortgage brokers with the bond, which does not require investment qualifications to sell, said Downs. 'So mortgage brokers who cannot do mortgages get a client and say you've got a cash ISA move it into one of these [bonds]… A lot of people will fall for it.'

'We are naturally disappointed with the reaction to our structured product,' said a spokesman for the building society. 'It has been well received by a number of IFAs but we recognised it has a specific niche in the market and will not suit everybody.'

Downs said the bond would sell well because consumers are nervous about the markets and liked the word guaranteed.

'This is just another money making scheme,' she said.

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Nicola Downs *Trentham Invest*