Estimated reading time: 2 min

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

What are the key risks?

1. You could lose all the money you invest

If the business you are investing in fails, there is a high risk that you will lose your money.

This is not a savings account. If the borrower doesn't pay you back as agreed, you could receive back less money than expected. This investment will not provide a return for an investor and an investor will only receive a repayment of capital at the end of the term.

2. You are unlikely to be protected if something goes wrong

The business offering this investment is not regulated by the FCA. Protection from the Financial Services Compensation Scheme (FSCS) only considers claims against failed regulated firms. Learn more about FSCS protection here.

The Financial Ombudsman Service (FOS) will not be able to consider complaints related to this firm. Learn more about FOS protection here.

3. You are unlikely to get your money back quickly

Many bonds last for several years, so you should be prepared to wait for your money to be returned even if the business you're investing in repays on time. This investment has a term of 75 years and the real value of any repayment of capital is likely to eroded by inflation over that term.

You are unlikely to be able to cash in your investment early by selling your bond. You are usually locked in until the business has paid you back over the period agreed.

4. Don't put all your eggs in one basket

Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.

A good rule of thumb is not to invest more than 10% of your money in high-risk investments.

If you are interested in learning more about how to protect yourself, visit the FCA's website here.