DRN-3479230

The complaint

Mr R complains that Hargreaves Lansdown Asset Management Limited ("HLAM") gave him wrong information about a rights issue. He says he wants compensation for the loss he's made because he wasn't able to purchase the new shares as he'd planned.

What happened

Mr R had a holding of shares which I'll refer to as "A". In or around October 2020, A announced a rights issue. Mr R was allocated 14,780 rights. He needed to give instructions to take up or sell the rights by 9 November.

He phoned HLAM on 2 November because he hadn't received any information about the rights issue. He said he wanted to sell his shares to give him enough money to buy the new shares. He says HLAM told him he could sell his ordinary shares and the rights and would still be able to purchase the new shares. But, because he sold the rights, he lost the opportunity to buy the new shares.

HLAM said it told Mr R he could sell his ordinary shares and that he was told he wouldn't be able to purchase new shares if he sold his rights.

Our investigator recommended that the complaint should be upheld. He thought that, whilst HLAM had provided the correct information twice during the 2 November phone call, when Mr R queried it for a third time, HLAM told him he could sell everything and still purchase the new shares. The investigator didn't think HLAM had provided clear, fair and not misleading information and that Mr R had acted on the information he'd received when he sold "everything". The investigator thought HLAM should compensate Mr R by calculating the value of Mr R's holdings had he purchased shares under the rights issue using the funds from selling his ordinary shareholding. The share price used in this calculation should be from the date of settlement of this complaint. He also thought HLAM should pay Mr R £100 for the distress he'd been caused.

HLAM didn't agree. It said, in summary, that:

- During the call on 2 November, Mr R had twice been told that he wouldn't be able to purchase the new share entitlement if he sold his rights.
- Mr R was directed to the information available online about the rights issue. And, because he hadn't received HLAM's letter about the rights issue, it emailed him shortly after the phone call with the information. Mr R sold his rights entitlement 10 minutes after he'd received the email.
- HLAM accepts its member of staff's last comment during the phone call could have been clearer – but she'd given him the correct information during the call and the correct information was available on its website and in its email.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I find I have agreed with the conclusion of the investigator for the following reasons:

Mr R had an execution only share dealing account. HLAM wasn't obliged to provide him with investment advice. But it was obliged to provide him with fair, clear, and not misleading information so that he could decide for himself what was appropriate for him.

Mr R's account had been credited with 14,780 rights. Mr R wanted to purchase the rights to obtain new A shares. This would cost him £4,729.60. When he spoke to HLAM on 2 November, he hadn't received any information about the rights issue. HLAM said this had been posted to him but offered to provide him with the information by email and on the phone.

I think Mr R made it reasonably clear that he wanted to sell shares so that he had enough money to buy the new shares. But I don't think he understood the rights issue process. He thought he could give instructions to take up the new shares and then sell his ordinary shares and the rights to give him enough money to pay for the new shares. This is what he did – but because he'd sold the rights, he didn't receive the new shares (and he wasn't debited for the cost of them).

HLAM says it gave Mr R the correct information – on its website, in its email and twice during the phone call. But, unfortunately, it also gave him unclear information during the phone call, and I find he relied on that information when he sold his rights.

Mr R had already asked HLAM twice whether he could sell "everything" and still be able to buy the new shares. HLAM clarified that he could sell his ordinary shares. And told him that, "*If you sell your rights, you obviously won't be able to purchase new shares*." But Mr R asked the question for a third time. He said:

"Basically, what I'm saying is if I sell everything I've got I'm still entitled to buy?"

And HLAM confirmed *"Yes".*

HLAM should have made it clear – for the third time – that he couldn't sell the rights if he wanted to buy any new shares. Mr R also said during the call that he had around £8,800 worth of shares that he could sell. But his ordinary shares were only worth around £3,200. I think this should reasonably have shown HLAM that Mr R either didn't have a clear understanding of his shareholding, or that he didn't understand how a rights issue works. I think that reasonably should have caused HLAM to carefully check that all the information it gave Mr R was clear and accurate. On balance, HLAM failed to do that with its final answer to his question. I think HLAM should have reasonably realised Mr R was planning to sell both his ordinary shares and the rights and it should have clearly warned him that he wouldn't be able to buy the new shares if he did so.

HLAM accepts that its member of staff's last comment could have been clearer. And I find Mr R relied on that final piece of information he'd been given – that he could sell "*everything*" and still buy the new shares.

HLAM did send him an email with the rights issue information which it says Mr R received before he placed the sale instructions. But I think it was reasonable for Mr R to rely on the information he'd been given during the phone call.

Overall, I agree with the investigator that HLAM should compensate Mr R for giving him unclear information which directly led to him selling his rights entitlement when he'd made it reasonably clear he wanted to buy the new shares. I've set out below the compensation calculation in a bit more detail than our investigator to make sure fair compensation is paid. And I think it's fair that HLAM pays Mr R £100 for the distress and inconvenience he's been caused.

Putting things right

Mr R should be put in the position he'd be in now if he'd been given clear information. I think he would have sold his ordinary shares, used the proceeds to buy as many of the new A shares as he could, and sold the remaining rights. I can't say with any certainty what Mr R would have done with the new A shares if he'd purchased them. So I think the fairest way to calculate the compensation is as follows:

1. HLAM should calculate how many new shares Mr R could have purchased (at 32p each) from the proceeds of the sale of his ordinary shares on 2 November 2020

2. Calculate the value of those new A shares as at the date of settlement, using the mid-price - B

3. Calculate what Mr R would have received if his remaining rights were sold on 11 November 2020 - C

4. Pay Mr R B + C + any cash remaining after the new shares would have been purchased; and deduct the amount Mr R received from the sale of his ordinary shares and his rights (£9,284.88).

5. Pay Mr R £100 for the distress and inconvenience caused.

My final decision

My final decision is that I uphold this complaint. Hargreaves Lansdown Asset Management Limited should pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 July 2022.

Elizabeth Dawes
Ombudsman