

The complaint

Mr J has complained that Hargreaves Lansdown Asset Management Limited ('HL') unfairly denied him access to the accounts he held on its platform. Mr J said this caused him considerable stress and a sense of victimisation.

What happened

Mr J had three accounts with HL – a stocks and shares ISA, SIPP and Fund & Share Account totalling around £700,000 in value. In September 2021 HL wrote to Mr J as it had noticed he had made several contributions into his Fund & Share Account since mid-2020 and went onto to withdraw those funds without making any investments in between.

In line with regulatory good practice, HL sought a bank statement showing the source account of a £50,000 contribution he had made in August 2021. HL would temporarily restrict Mr J's accounts until it received the statements.

Mr J didn't agree with this and complained to HL. It rejected his complaint. It said;

- It was concerned that Mr J's Fund & Share account wasn't being used for its intended purpose and had asked for a context behind the numerous deposits and withdrawals which were considered as unusual behaviour.
- It needed a good understanding – Client Due Diligence ('CDD') and Enhanced Due Diligence ('EDD') – of how and why its client used its platform for it to adhere to UK Money Laundering Regulations.
- It hadn't received the requested source bank account information as it had requested, so Mr J's account was restricted.

Mr J said he wouldn't be providing that information as he had no idea what the checks were for. He needed access to his accounts as he wanted to arrange to transfer them to another platform.

HL confirmed that it needed to query his residential address because of conflicting information. Mr J's responses to that query failed so the restrictions remained on his accounts.

In February 2022 HL wrote to Mr J terminating its agreement with him. In March HL became concerned that a third party was assisting Mr J with his account and it would need authority for this to happen.

Mr J wasn't happy with the above and brought his complaint to the Financial Ombudsman. He said HL had overstepped the scope of the service provided by restricting Mr J's account and he considered it to be in breach of section A5 of its terms and conditions. To put the matter right Mr J wanted HL to immediately reinstate access to his accounts so he could transfer them to another provider. He also wanted interest on his account balances for the period his accounts were restricted to recognise that HL had neither contractual entitlement nor contractual process to act as it did.

Our investigator who considered Mr J's complaint didn't think it should be upheld. She said;

- HL's terms and conditions confirmed it had the right to restrict access to Mr J's account.
- HL was a regulated business and had legal and statutory obligations to follow.
- This service would not generally interfere with the reviews HL had carried out as they were in line with HL's regulatory obligations.
- Mr J hadn't provided the documentation that HL asked for but after review of his account in January 2022 the restrictions were lifted on his Fund & Share account and in March 2022 his other two accounts. He was able to transfer his accounts.
- While the restrictions must have been frustrating for Mr J, the investigator couldn't conclude that HL had acted unfairly.

Mr J was disappointed in the response. He questioned what the purpose of this service was if it wasn't prepared to take a view on the regulated obligations of a firm that was subject to a complaint and requiring third party resolution. He wanted an outcome that held HL to account for its regulatory obligations and conduct. And he wanted to obtain an assessment as to how HL should change its process to prevent further mishandling of its clients' integrity and which would be published for potential customers to assess HL's suitability as worthy of becoming a client.

As the complaint remains unresolved, it has been passed to me for a decision.

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.

After doing so, I don't uphold the complaint and agree with the investigator's conclusions and broadly for the same reasons.

My role is to determine a complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case, having regard to the law, industry rules and guidelines and good industry practice.

So, in determining what is fair and reasonable, I have regard to the law when considering a complaint. I can see Mr J feels very strongly about his complaint. That's clear from what he's said to us and to HL. Whilst I appreciate Mr J's frustration, it's important to clarify that the only point in question here is whether HL has done what it should have done. And I think it has. I'll explain why.

I've looked at HL's ability to review and block Mr J's accounts. HL has important legal and regulatory obligations it must meet when providing accounts to customers. These obligations are ongoing, so do not only just pertain to when an account is opened. To comply with its obligations HL may need to review an account and/or restrict its customer's access. And the business is also entitled to ask questions about payments into and out of an account in order to comply with those obligations.

Having looked at all the evidence, I don't believe it was unreasonable in the circumstances for HL to review and block Mr J's accounts and ask him for information and evidence about how he was operating his accounts. My understanding is that this was its usual procedure. The information HL was asking Mr J to provide is fairly standard information financial

businesses are required to have in order to adhere to their Know Your Customer ('KYC') responsibilities or Customer Due Diligence ('CDD'), as set out by the regulator - the Financial Conduct Authority. So, whilst I accept this caused Mr J inconvenience, I can't say HL treated him unfairly when it blocked his accounts and asked him to provide the information that it did.

HL asked Mr J to evidence the source of a credit to his account of £50,000 which wasn't invested but withdrawn shortly afterwards. I'm aware this wasn't the only time this happened. Mr J's accounts with HL were primarily execution only investment accounts so I think it's completely reasonable for the credit and debits of cash, without being invested, to have triggered HL to seek further information about where this money was coming from and to try and ascertain how he was operating his account in order for HL to comply with UK Money Laundering Regulations.

I've also reviewed HL's terms and conditions. I appreciate the relevant section is known to the parties but for completeness, I repeat them here. The concluding paragraph for section A5 – Account security says;

"We may stop or block access to, or restrict your ability to carry out certain actions in relation to, your Account where:

[examples are given]...

Where we are able, we will notify you if we block access to your Account and give you the reasons for doing so. We do not accept any liability for any loss you suffer where we act in accordance with the provisions of this section or where you fail to comply with your obligations under this section."

After reviewing the whole Account security section of the terms and conditions, and in particular the above, I can't agree that HL has acted outside of its contractual agreement with Mr J. I don't think it was wrong in identifying payments going in and out of his accounts that would have caused it concern. And that being the case, it had a regulatory responsibility to take action and seek further information and evidence from Mr J.

I appreciate that Mr J was a long-standing client of HL. And I also appreciate that he may have been concerned about the security of his data and his personal information and being hesitant about giving that information to another party. But I don't find the information HL requested to be anything other than standard nor do I find that it was overly invasive or unreasonable.

In his response to HL, Mr J explained he was the beneficial owner of the assets held in his name and was in no way involved in money laundering or terrorist financing which suggests to me he understood the seriousness about why HL needed to ask him this information. But his assurance alone wouldn't have been sufficient for HL to have satisfied its regulatory responsibilities.

In bringing his complaint to the Financial Ombudsman, Mr J has said he wants HL held to account for its regulatory obligations and conduct and to obtain an assessment as to how HL should change its process to prevent further mishandling of its clients' integrity. But I don't agree that HL has acted outside of its agreement with him or hasn't acted as its regulatory obligations require it to do. And while I appreciate that Mr J may feel that his integrity has been challenged, I don't find that HL has acted either unfairly or unreasonable in its dealings with him.

I understand that after reviews, Mr J has been able to access all of his accounts since 14 March 2022 so will have been able to transfer his accounts if that remained his intention, so he has the resolution to his immediate complaint resolved.

Overall, taking all of the above into account I don't find that HL has done anything wrong and I won't be asking it to do anything more.

My final decision

For the reasons given above, I don't uphold Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 28 April 2023.

Catherine Langley
Ombudsman