

## **The complaint**

Mrs H complained that Legal & General (Unit Trust Managers) Limited (Legal & General) had paid her insufficient redress in respect of its admitted errors and felt she was still owed a further payment in respect of interest.

To put things right, Mrs H wanted Legal & General to pay her an amount that reflected missing interest payments over the 14 years when Legal & General sent her dividend payments to a closed account.

## **What happened**

Mrs H was entitled to receive income distributions from an investment she held with Legal & General. In summer 2021, Mrs H became aware that bank details on paperwork sent to her by Legal & General were incorrect and that it had failed to send her dividend distribution payments she was entitled to receive between 2007-2021.

Legal & General had been relying on out of date account details provided when Mrs H set up the investment in 2006 and sending the payments to an account that had closed in 2007. The payments to the closed account had 'bounced back' but Legal & General hadn't informed Mrs H when this happened. And Mrs H hadn't realised that she wasn't receiving the quarterly dividend payments.

After she complained to Legal & General about what happened, there was an exchange of correspondence between the parties. Ultimately, Legal & General agreed it should have informed Mrs H that dividend payments it had sent to the bank account it held details for had been rejected and returned. Legal & General agreed to refund the last six years' distributions and pay Mrs H an amount to reflect the full value of the older distributions, which had by then been reinvested in the fund and made a payment to Mrs H of £12,822.79 to reflect the total amount of all the 'missed' distributions. Legal & General also made payments to Mrs H of £100 in recognition of the poor service she had received and £150 to reflect the additional worry and anxiety she had been caused.

Mrs H also wanted Legal & General to pay interest on top of this. But Legal & General said Mrs H hadn't updated her bank account details as she ought to have done and as required by its terms and conditions. So it suggested there was responsibility on both sides for what had happened. Legal & General felt that overall the steps it had taken to put things right were fair and reasonable in all the circumstances.

Mrs H didn't feel Legal & General's response to her complaint went far enough to resolve things. In particular, she was unhappy that Legal & General hadn't agreed to add interest to the amount paid in respect of the rejected dividend payments. So she brought her complaint to us and one of our investigators looked into what happened.

Our investigator was sympathetic to Mrs H's position and recognised her strength of feeling about what happened. But he felt that, overall, the financial redress paid by Legal & General and the payments it made to reflect the impact on Mrs H of the shortcomings in its service were a fair way to settle the complaint. He didn't think Legal & General had been solely

responsible for the payments being returned so he didn't think Legal & General needed to do anything further.

Mrs H disagreed with our investigator. She mainly said (in brief summary):

- the investigator's conclusions that she shared responsibility for the payments going to the wrong account were '*clearly at odds*' with Legal & General's admission that it was at fault for not informing her at any time that the dividend payments were being remitted back
- she had received letters every quarter from Legal & General assuring her that her dividend distributions had been "credited automatically" into her bank account
- interest should be paid on the missing payments because across the whole of the financial world it is now common practice and often a legal requirement to pay interest on unpaid bills and withheld monies
- she is not seeking any punitive interest payment - just the amount that she would have received had she invested the missing payments into a savings bank account for the years in question
- she wants the issue of payment of interest to be referred to the Ombudsman.

The complaint came to me to decide. I issued a provisional decision.

### **What I said in my provisional decision**

Here are some of the main things I said.

Legal & General agreed that it was wrong not to have alerted Mrs H to the problems it encountered paying the dividends into her nominated bank account and upheld Mrs H's complaint. The focus of Mrs H's complaint is now solely the question of interest. Mrs H puts it this way: *'I am satisfied with the amount that L&G have now paid me it is the lack of interest I would have earned during the 15 year period when they were under an obligation to inform me about my unclaimed monies and failed to do so. I would like the Ombudsman to adjudicate on just that specific point.'*

So I don't need to make any findings about what's already been agreed. In my provisional decision I will explain why I find that Legal & General was largely responsible for the fact that Mrs H didn't receive the dividends when they were initially paid to her – and what I think Legal & General should fairly and reasonably do to put things right in these circumstances.

I've taken into account all the reasons why Mrs H says she had no particular reason to think she couldn't continue to rely on the arrangements she had set up to receive dividend payments – which I think are persuasive.

Mrs H told us, in response to the investigator's view, that originally all her investments were with a third party financial business I will refer to as 'B'. Whilst B kept hold of some of those investments, part of her holding (the subject of this complaint) was transferred to Legal & General. Mrs H says that for all the holdings that remained with B, dividend payments continued to be paid without the need to change bank accounts. Given that she had a number of other investments paying dividends, I think it's understandable that she wouldn't have necessarily realised that she wasn't receiving the dividends from this Legal & General holding.

It's not clear to me why payments into or out of Mrs H's original bank account were no longer taking place – I don't believe it necessarily follows that a business takeover must inevitably mean that payments previously being paid into an existing account were no longer able to be

received. So, I can understand why Mrs H wouldn't have had any particular reason to think that she needed to do something to ensure she would continue to receive her dividends. Also, I think it's fair to say that as Legal & General continued to send Mrs H tax vouchers that said payment had been '*credited automatically*', that would reasonably have led Mrs H to believe that everything was happening as she expected and given her no cause to think she might not be receiving the dividend payments.

I've kept in mind that Legal & General has accepted that it should have told Mrs H it was holding these unclaimed dividends for her. This seems to me to be a clear acknowledgement that it has been at fault here.

I have also noted that in section 20 of the account terms and conditions it says that unclaimed distributions will be held in the Client Money Account, and that Legal & General will send an annual statement showing any cash balances in that account (unless the customer has access to the online system showing this balance). So, arguably, Legal & General was under an obligation to let Mrs H know that unclaimed dividends were being held in a separate account (prior to them being 'tipped back' after 6 years). I can't see any evidence that this happened.

For all these reasons, to my mind it is understandable why Mrs H didn't realise she wasn't getting the dividends.

In terms of what Legal & General should do to put things right, I understand that the dividends she didn't receive were 'tipped back' into the fund – in other words, that sum of money was added back into the fund for the benefit of all policyholders.

It's my understanding that these tipped back dividends totalled just over £8,000. So, when these were added to boost the value of the fund that Mrs H was invested in, she will have had some small financial benefit as a result. But I don't think it's likely this would have been significant – given that she was effectively sharing the value of her dividend with everyone else invested in the fund. Certainly, Mrs H would have been much better off in money terms as far as I can see if she'd received her dividends, as she was reasonably entitled to expect.

So I find it's fair that Legal & General should be required to pay interest (at the usual 8% rate) on all the missed dividends, reflecting that it deprived Mrs H of her money.

### **What the parties said in response to my provisional decision**

Mrs H said she was pleased with this outcome, she queried the way redress will be calculated and made an observation about how Legal & General could avoid the issue happening.

Legal & General said it had nothing further to add.

### **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.

We've set out our approach to dealing with complaints on our website and I've kept this in mind while deciding this complaint.

I'd like to thank both parties for all the information that has been provided about this matter.

Given that I've not received any further evidence or comment that changes my mind about this complaint, I confirm the conclusions I reached in my provisional decision.

I've set out below the steps Legal & General needs to take to put things right. This explains how redress should be worked out and Legal & General should provide Mrs H with details of its calculation so she can see how it has worked out the award.

I would also just mention briefly that how businesses choose to operate and the services they offer are matters that come under the oversight of the regulator - the Financial Conduct Authority (FCA).

So it would be beyond my remit to include in my decision any recommendations that Legal & General should change its business processes.

## **Putting things right**

Legal & General should take the following steps:

- Legal & General has already calculated the total amount of the dividends Mrs H didn't receive from 2007 to 2021, and paid to her compensation that is equal to those unpaid dividends, so
- it should now also pay Mrs H 8% simple interest per year on those dividend payments calculated from the date each payment was originally sent to Mrs H to the date of settlement.

Income tax may be payable on this interest. If Legal & General deducts income tax from the interest, it should tell Mrs H how much has been taken off. It should also give Mrs H a tax deduction certificate in respect of interest if she asks for one, so she can reclaim the tax on this interest from HM Revenue & Customs, if appropriate.

- set out its calculation in a clear and simple format and send this to Mrs H.

## **My final decision**

I uphold Mrs H's complaint and Legal & General (Unit Trust Managers) Limited should take the steps set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 11 April 2023.

Susan Webb  
**Ombudsman**