

The complaint

Mr J complains about the service he received from Hargreaves Lansdown Asset Management Limited, referred to as “the business” or “HL”. In short, he says that between September 2021 and March 2022, the business unjustifiably prevented him from drawing down, supplementing, or transferring his funds (in the amount of £280,000).

Mr J says that despite satisfying the business’s need for source of wealth documentation, he was still being victimised, made to feel like he’d done something wrong and kept in the dark with regards to the business’s internal processes. This information gathering continued for over five months between August 2021 and February 2022.

To put things right, Mr J wants access to his accounts or be allowed to transfer out in an orderly manner – he has since transferred out. He would also like compensation for distress and inconvenience caused, including for the time and expense spent dealing with this complaint.

What happened

On 17 April 2023, I issued my provisional decision, a copy of which is stated below and forms part of my final decision. In the decision, I said:

“provisionally I’m going to uphold this complaint.

Whilst I’m not persuaded that an unauthorised restriction was placed on Mr J’s account, I’m persuaded the business could’ve provided a better, and timelier service, that better managed Mr J’s expectations. In the circumstances, and on balance, provisionally I think the business should pay Mr J £200 compensation for the distress and inconvenience caused.

But before I explain why, I think it’s still important for me to recognise the strength of feeling Mr J has about this matter. He’s provided detailed submissions to support the complaint, which I’ve read and considered carefully. However, I hope he won’t take the fact my findings focus on what I consider to be the central issues, and not in as much detail, as a discourtesy.

The purpose of my decision isn’t to address every single point raised under a separate subject heading, it’s not what I’m required to do in order to reach a decision in this case. I appreciate this can be frustrating, but it doesn’t mean I’m not considering the pertinent points.

My role is to consider the evidence presented by him and the business, and reach what I think is an independent, fair, and reasonable decision based on the facts of the case. It’s not my role to punish the business for any regulatory breaches either, that’s the role of the industry regulator the Financial Conduct Authority (the FCA). My role is to decide if the business has done anything wrong and where appropriate award redress for any financial losses for which it’s responsible and/or compensation for any distress and inconvenience caused.

In deciding what's fair and reasonable, I must consider the relevant law, regulation, and best industry practice but, perhaps unlike a court or tribunal, I'm not bound by this. It's for me to decide, based on the information I've been given, what's more likely than not to have happened.

On the face of the evidence, and on balance, despite what Mr J says I'm satisfied that the business was entitled ask for the documentation regarding the source of his funds (namely the disposal of his property) and to place restrictions on his account until it received this information and the matter was resolved – for the reasons mentioned above – until it was satisfied that the account wasn't being misused under UK money laundering regulations.

Despite what Mr J says, in the circumstances and on balance, I think it provided information that was broadly clear, fair, and not misleading. I note in its communication with him it made clear that it was placing restrictions on his account, and the reasons for it. I'm aware Mr J says he wasn't aware that he could trade, but he did trade, so he did know that he could trade. In any case, I'm not persuaded that Mr J tried to trade but was prevented from doing so by the restrictions placed on his account.

Despite Mr J's own enquiries about the business's authority to request this information, I don't think the business deliberately misled him, or did anything wrong in terms of the substantive complaint by not answering – to Mr J's satisfaction – the many additional questions. I'm aware that a business also needs to be careful in relation to the sort of information it can share in these circumstances.

In the circumstances, and on balance, I don't think the business was required to provide detailed answers to all of Mr J's questions – in relation to whether it was acting in his best interests, whether it was acting in accordance with section A5 of the terms and conditions, or within the joint money laundering steering group in relation to his address. However, on balance, I think the business probably could've managed his expectations better, broadly in terms of what it was doing, and why, and sooner. But also to make clear what it wasn't willing to discuss with him in the circumstances.

Despite Mr J's concerns, based on what the business says, it was entitled to delve into his private financial affairs – linked to his account – to satisfy itself that he wasn't misusing his account – it's not an uncommon industry practice, where a business has concerns about how an account is being operated. That's not to say the business thought that Mr J was financing terror or laundering money, it just had to satisfy itself that he wasn't – otherwise the business could itself face sanctions under UK money laundering regulations for failing to monitor the account and/or take appropriate action.

I appreciate Mr J says that he was made to feel that he'd done something wrong, but the business is entitled – in the reasonable exercise of its legitimate commercial judgement – to question whether or not the account was being used in line with its terms and conditions, and in doing so enquire about the source of wealth. It's not for us to question the business's judgement or tell it how it should run its affairs with regards to these important issues.

I'm aware that Mr J sent in the relevant documents, but they weren't received by the business. I note it later came to light that he had to send the documents to a specific team but wasn't told this at the outset. This no doubt would've added to the delay and distress and inconvenience.

I note Mr J's concerned that he didn't have first-hand access to the relevant team, but I can't blame the business for this. The team itself wasn't a public facing team and therefore couldn't speak to Mr J and/or take calls from him.

In any case, I note Mr J was led to believe that the matter would be sorted once he'd subsequently provided the documentation to the correct department, but this wasn't entirely correct, so I don't think he should've been given that indication.

I'm mindful that there was an issue with Mr J's residential address, I note he has two residential addresses – one of them being a new address – and that's probably why a search by HL failed. In this instance, it's arguable that the business could've given Mr J a heads up as to what might happen if the address didn't (for whatever reason) check out.

Whilst I can't blame the business for asking him to confirm which of his two addresses he'd like to use, I'm not sure why this was necessary in the circumstances - given that he had a registered address already and was clearly unhappy that he didn't have access to his funds for some time. But even if it was necessary, I think his expectations with regards to having access to his accounts could've been managed better. I note Mr J says he thought this was a trivial process – evidently it wasn't.

This appears to be the reason why, even though he provided the relevant source of wealth documentation, that the restriction on his account wasn't lifted and continued for some time, despite him being led to believe it wouldn't.

I appreciate it's probably unlikely that the business would've envisaged an address issues when it told Mr J that the restrictions on his account would be lifted following him providing the source of wealth documentation. But as I mentioned above, it ought to have managed his expectations better with regards to what would happen if it didn't.

I can't say the business was wrong to thereafter ask Mr J further (extended) questions to verify the address. This also wouldn't have prevented the business from having to carry out its own checks. On balance, I think the issues could've been resolved more efficiently by the business, but it had to confirm his address before it could proceed.

In the circumstances, and on balance, I think the business should pay Mr J £200 compensation for the distress and inconvenience caused by the delays not only in relation to the initial month taken to request documentation regarding his source of wealth but also some incorrect information he was given that he's account could be restored fully when it couldn't.

Despite the points made by Mr J, on balance I think my provisional recommendation that the business pay him £200 compensation for the distress and inconvenience caused is broadly fair and reasonable. I appreciate Mr J thinks it should pay a much higher sum, but I don't think the amount is unreasonable for the errors made by the business.

I appreciate Mr J will be thoroughly disappointed I've reached a different conclusion to the investigator, but I still haven't given him what he wants. Whilst I appreciate his frustration, I'm not going to ask the business to do anything other than pay him £200 compensation.”

I gave the parties an opportunity to respond to my provisional decision and provide any further submissions they wished me to consider before I considered my final decision.

Mr J responded but didn't accept my provisional decision. In summary, he made the following key points:

- He didn't trade and couldn't trade. Despite the business's claim that he could trade over the phone, there was a total blockade on his account.
- Not having access to a public facing team created a massive problem.

- I should look again at the manner in which the business washed its hands of the situation. Including sending him a termination letter (dated 17 February 2022) asking him to move away from the business and it was only after this that he had access to his account for the purposes of transfer.

The business also responded and accepted my provisional decision. In short it said that although it feels its £100 offer is fair, it's happy to accept my recommendation.

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, notwithstanding the latest submissions from Mr J, I'm not persuaded to change my mind. My decision to uphold this complaint remains the same, principally for the same reasons as set out in my provisional decision.

In other words, on balance I'm still satisfied that the key points remain the same, and have been considered by me, in my provisional decision. On the face of the evidence, and on balance, I still think that the business should pay Mr J £200 compensation for the distress and inconvenience caused. I've seen nothing that persuades me to change my mind.

I still don't think that an unauthorised restriction was placed on Mr J's account, however, I'm persuaded that the business could've provided a better, and timelier service, that better managed his expectations.

I appreciate Mr J maintains he wasn't aware that he could trade, and that his account was totally blocked, but he did trade (even by his own admission) therefore he knew that he could trade. In any case, I'm not persuaded that he tried to trade but was prevented from doing so by the restrictions placed on his account.

I appreciate Mr J's concerns that he didn't have first-hand access to the relevant team, but I can't blame the business for this. The team itself wasn't a public facing team and therefore couldn't speak to him and/or take calls from him.

Nevertheless, I've recommended double the compensation initially offered by the business given the distress and inconvenience caused by this case – in particular the delays not only in relation to the initial month taken to request documentation regarding his source of wealth but also some incorrect information he was given that his account could be restored fully when it couldn't.

I appreciate Mr J feels like the business washed its hands of him, but I don't agree that's correct. The business wasn't required to do what he wanted, and by not doing so I can't say the business has done anything wrong.

The above notwithstanding, I appreciate Mr J will be thoroughly disappointed that despite his latest submissions I've still not been persuaded to change my mind. In other words, I've upheld the complaint but still haven't given him what he wants, and that my decision isn't what he wants to hear. Whilst I appreciate his frustration, I'm not going to ask the business to do anything other than pay him £200 compensation.

The above notwithstanding, on the face of the available evidence, and on balance, I'm still unable to give Mr J what he wants.

Putting things right

Hargreaves Lansdown Asset Management Limited should pay Mr J £200 compensation for the distress and inconvenience caused.

My final decision

Hargreaves Lansdown Asset Management Limited should pay Mr J compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 31 May 2023.

Dara Islam
Ombudsman