

## **The complaint**

Mr P complains that HSBC Bank Plc trading as First Direct ('First Direct') has been displaying incorrect book costs for some of his investments. He wants First Direct to correct the book costs.

## **What happened**

Mr P has a stocks and shares ISA and a general share dealing account with First Direct. In those accounts Mr P holds shares in companies I'll refer to as 'A', 'G' and 'H'.

In May 2022 Company A's shares were reorganised. For Mr P the reorganisation meant the following things occurred:

- Mr P's ordinary shares in Company A were consolidated
- Mr P was issued with 'B shares' in Company A ('the B share scheme')
- Mr P's B shares were immediately redeemed by Company A
- Mr P received a partial return of the capital with which he'd bought his ordinary shares in Company A.

Company A released a guide to help shareholders understand the tax implications of the B share scheme. The guide said that, for tax purposes, a portion of the cost of ordinary shares held in Company A should be attributed to the B shares that were issued and redeemed. This would mean the book cost for the ordinary shares in Company A would be reduced.

In July 2022 Company G underwent a de-merger which meant some of its business was separated from G and was now held separately by Company H. This meant Mr P now held shares in Company H as well as Company G. And his original book cost for Company G now had to be split between Company G and Company H.

Mr P complained to First Direct that, following these events, First Direct hadn't amended the book costs it displayed in his online portfolio for the affected holdings.

On 4 April 2023 Mr P called First Direct. About his G and H shares he said book costs hadn't been correctly updated after the corporate action. During the call First Direct mentioned that the book cost Mr P's non-ISA holding of H was showing as £1,457.81. Mr P said that wasn't what it should show.

About his shares in Company A he said he'd recently told First Direct the book cost was showing as zero, and now it had been changed to show about £39,000 which was double the original book cost. And so he said it still wasn't correct.

First Direct responded to Mr P's complaint on 12 April 2023. In summary it said:

- It had temporarily displayed the book cost for Mr P's shares in A as zero. That was

because *'one of [First Direct's] back office systems wasn't communicating correctly with the system that projects information onto [Mr P's] Sharedealing Portfolio'*. The issue was corrected on 5 April 2023. First Direct apologised and paid Mr P £50 in compensation.

- The book costs it showed for Mr P's shares in G and H were correct.

Mr P said he didn't agree the book costs showing on his portfolio were now correct. He asked First Direct to check again. During a phone call on 24 April 2023 he told First Direct the book cost for his Company A shares hadn't taken account of the return of capital which was part of Company A's corporate action, which should have reduced his book cost for shares in Company A. Regarding Company G he said book costs hadn't been amended at all following Company G's corporate action. Mr P mentioned that he'd explained his position on the book costs multiple times.

On 27 April 2023 First Direct told Mr P it had checked his book costs again and they were correct.

Mr P referred his complaint to this service. He sent us screen shots of his online portfolio, dated 27 April 2023.

First Direct also provided screenshots of its internal systems showing the book costs it had calculated for Mr P's holdings. And it explained that, for Mr P's shares in Company A, it took into account the consolidation. It said the consolidation applied to ordinary shares only, and it was a consolidation of 100% so it was correct that Mr P's consolidated shareholding in A would be 100% of the cost of the *'parent'* shares.

One of our Investigators looked into Mr P's complaint. She said this service doesn't make findings about tax rules or tax liabilities, but based on the available evidence she thought First Direct's calculations were correct. She also said it wasn't wrong for First Direct to refer to Company A's corporate action as a consolidation, and she hadn't seen that Mr P's book costs were incorrect.

Mr P didn't agree with the Investigator's view. In summary, he said the following:

- For G and H the calculations in First Direct's screenshots were correct, but book the book costs for G that were displayed on Mr P's online portfolio were different. He provided further screenshots dated 7 July 2023 and 22 February 2024.
- For A, First Direct's calculation of the book cost was wrong because it hadn't taken account of the B share scheme which meant the cost of his shares in Company A should be apportioned between his ordinary shares and the B shares which had been redeemed. So his book cost for Company A should be less than First Direct said it was.
- First Direct wrongly said in April 2023 that book costs were correct, and its own screenshots show that it amended the book costs in May 2023.

The table below summarises the information we've received about the book costs for Mr P's holdings. Mr P hasn't bought or sold any of the relevant shares during the period shown.

Shareholding	Number of shares	Book cost shown on Mr P's portfolio	Book cost shown on Mr P's portfolio	Book cost shown on Mr P's portfolio	Book cost shown on First Direct's internal
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		<b>screenshot of 27 April 2023</b>	<b>screenshot of 7 July 2023</b>	<b>screenshot of 22 February 2024</b>	<b>systems screenshots</b>
G shares in ISA	558	£10,612.63	£10,612.63	£10,612.63	£8,685.59
G shares in general investment account	880	Information not provided	£16,056.92	£16,056.92	£13,141.30
H shares in ISA	1,928	£5,964.92	£5,964.92	£5,964.92	Information not provided
H shares in general investment account	1,100	Information not provided	£2,915.62	£2,915.62	£2,915.62
A shares in ISA	4,278	£38,915.70	£19,457.85	£19,457.85	£19,457.85

Because no agreement could be reached, the complaint was passed to me to review afresh.

I issued a provisional decision in which I said I was minded to uphold Mr P's complaint. I said I'd consider any further submissions from Mr P or First Direct before making a final decision. Mr P said he had nothing to add. First Direct said it didn't agree with everything I'd said but it was prepared to accept my overall decision to resolve the matter. First Direct didn't provide any further information or arguments.

I haven't seen any reason to depart from my provisional conclusions so I've repeated them below as my final 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.

Having done so, I'm upholding the complaint. I'll explain why. I'll deal first with the book costs for the shares in G and H, in respect of which Mr P agrees with First Direct's calculations but says his portfolio displays incorrectly. I'll then discuss the book costs for shares in A, in respect of which Mr P disputes First Direct's calculation.

In considering Mr P's complaint about these book costs, I've thought about what First Direct's terms and conditions say about the information First Direct will give Mr P about his portfolio. The terms and conditions don't contain any explicit requirement for it to provide book cost calculations that Mr P can rely on for tax purposes. Indeed, First Direct's terms and conditions and the key features document for its share dealing account make clear that First Direct isn't responsible for its customers' tax obligations. Customers are responsible for that and should seek tax advice if they're unsure about their tax position.

The terms and conditions also say '*any news, prices and other information*' First Direct gives Mr P or displays on its website is provided solely to enable the customer (in this case Mr P) to make his own investment decisions. And First Direct doesn't '*make any representation as to the completeness, accuracy or timeliness of such information*' nor does it accept any liability for any losses arising from its use.

Nevertheless, I've also kept in mind the rules of the regulator, the Financial Conduct Authority, which say the information a business gives its customers should be clear, fair and not misleading. Although First Direct's terms and conditions say it won't be responsible for the consequences of any incorrect information it provides, that doesn't mean it's fair and reasonable for First Direct to provide information that's inaccurate. There's an acknowledgement in the terms and conditions that customers will use the information to make investment decisions. They can't do that if the information is unclear or misleading.

### Shares in G and H

The book costs First Direct has calculated for Mr P's holdings in G and H are not in dispute. Mr P has seen First Direct's screenshots of its internal systems and he's agreed those screenshots show correct book costs.

But Mr P has provided screenshots showing that his online portfolio shows book costs for his holdings in G that are different from the book costs shown in First Direct's screenshots. Despite being given copies of Mr P's 2023 screenshots and being asked about this, First Direct hasn't commented on what's shown in the screenshots of Mr P's portfolio and why it differs from the book costs in First Direct's internal systems.

Having considered the evidence, I find that the information First Direct has given Mr P about the book costs for his holdings in Company G has failed to be clear, fair and not misleading.

First Direct has been made aware of an apparent discrepancy between the information showing on its internal systems and the information displaying on Mr P's portfolio. And First Direct has neither corrected nor explained the apparent discrepancy. First Direct has simply said the book costs on its internal screenshots are correct. But that's not what's in dispute here. This leaves Mr P under the impression that his portfolio shows incorrect book costs. It's left him unable to use the information First Direct has provided to help him make his own investment decisions. To be fair and reasonable to Mr P First Direct should either correct the book costs on his portfolio if they're displaying incorrectly, or explain to him why they're different from the book costs that First Direct has said are correct. In the absence of a correction or an explanation the book costs as displayed are unclear and misleading.

I don't think it's necessary for Mr P to refrain from trading the affected holdings if he otherwise wishes to do so. Mr P has, for the duration of his complaint, considered that the book costs displayed by First Direct are wrong. And he's done his own calculations which tally with the book costs on First Direct's internal systems. And any trading by Mr P shouldn't prevent First Direct from correcting the displayed book costs if any correction is needed. But First Direct has caused Mr P significant frustration and inconvenience by giving him information that fails to be clear, fair and not misleading.

In addition to this, Mr P has said that for a period of time First Direct showed the book cost of his non-ISA holding in Company H as £1,457.81 which he said was incorrect. In his phone call of 4 April 2023, First Direct confirmed that was the amount showing for Company H at that time. And in his phone call of 24 April 2023 Mr P said he'd calculated that it should instead be about £2,915.61. Mr P said the book cost for H was later corrected – he and First Direct have agreed that the book cost currently displayed is the correct one. But I find that in April 2023 First Direct gave Mr P incorrect information about the book cost of his H shares.

In response to his complaint First Direct didn't recognise it had given him incorrect information about his Company H holding. First Direct's records indicate it updated the book cost for this holding on 10 May 2023, despite telling Mr P in April 2023 that the book cost was correct. I think this contributed to Mr P's distress and inconvenience.

### Shares in A

First Direct has apologised and compensated Mr P for temporarily displaying the book costs of his Company A shares as zero after Company A's shares were reorganised in May 2022. And it updated the book costs after that.

However, despite First Direct telling Mr P on 12 and 27 April 2023 that the book cost for A had now been corrected, Mr P's screenshot from 27 April 2023 showed the book cost at more than £38,000. And by 7 July 2023 it had been amended to about £19,000. This was despite Mr P still holding the same shares in A on both dates. So I think First Direct gave Mr P wrong information about the book cost of his Company A shares in April 2023.

In addition to this Mr P disagrees with First Direct's calculation of the book costs for his A shares following the reorganisation. He thinks the book cost that's showing is still wrong. Mr P complained to First Direct that it hadn't taken into account the B Share scheme which meant that his original book cost for Company A shares should've been split between his ordinary shares and the B shares which were issued and then redeemed by Company A. Mr P provided guidance from Company A saying that for tax purposes the book cost of ordinary shares should be amended in this way. A copy of that guidance and Mr P's comments have been provided to First Direct.

In these circumstances I can see why Mr P expected First Direct to deduct a portion of the original book cost of his ordinary shares from the book cost of his remaining ordinary shares in Company A. But First Direct didn't do that. And it hasn't explained why not, including in response to questions from this service.

First Direct has said, correctly, that shares in A were consolidated and consolidation applied only to ordinary shares. But Company A's reorganisation went beyond consolidation. Mr P asked why First Direct appears not to have taken into account the effect of the Company's B share scheme which he believes should alter the book cost of his ordinary shares.

As I mentioned earlier, First Direct isn't obligated to make calculations for Mr P for tax purposes. It's up to him to ensure he understands his tax position. But where First Direct gives him information about his book costs and he queries the basis of a calculation, I think that to be fair and reasonable to him, First Direct should explain the basis of the calculation if it's not already clear. Not doing so means the information it's given Mr P fails to be clear, fair and not misleading. It means Mr P can't understand and use the information the information First Direct has given him for the purpose of making his own investment decisions.

In this case First Direct's explanation to Mr P, and its explanation to this service, didn't say whether First Direct had taken into account the Company's B share scheme and, if so, how. I don't think it's unreasonable for Mr P to ask First Direct how it's calculated the book cost it displays on his portfolio screen, particularly when the calculation appears different from that recommended by the issuer of the shares.

Again, I don't think Mr P has needed to refrain from trading his affected holdings in Company A if he otherwise wishes to do so. So I don't think this issue has caused him a material financial loss. But First Direct has caused Mr P significant frustration and inconvenience by giving him incorrect information and information that fails to be clear, fair and not misleading.

### Impact on Mr P

The shortcomings I've identified on the part of First Direct have caused Mr P distress and inconvenience. And this has been sustained over a period of more than a year, since Mr P's book costs were affected by corporate actions in 2022. I don't say there's been any serious disruption to Mr P's life as a result of this, but there have been inconvenience and frustration that have persisted for a substantial duration and have not yet been resolved.

### **Putting things right**

It's not the role of this service to calculate correct book costs or tell First Direct how it should do such a calculation. But to put things right I think First Direct should revisit its calculations and how they are displaying on Mr P's portfolio, put right any wrong information it's given Mr P and explain any discrepancies in the information. I also think First Direct should compensate Mr P for the distress and inconvenience he's experienced.

So to put things right, I require HSBC Bank Plc trading as First Direct to do the following:

- (1) Pay Mr P £350 in compensation for the distress and inconvenience this matter has caused him.
- (2) Consider again, in light of the information in this decision, whether Mr P's book costs have been calculated correctly and are displaying correctly on his online portfolio
- (3) Give Mr P a detailed explanation about what it's found while carrying out (2) above
- (4) Make any changes necessary to ensure Mr P's book costs are calculated correctly and displaying correctly on his online portfolio

### **My final decision**

For the reasons I've set out above, my final decision is that I uphold this complaint. I require HSBC Bank Plc trading as First Direct to take the steps and pay the amount set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 17 April 2024.

Lucinda Puls  
**Ombudsman**