

The complaint

Mr C complained about Hargreaves Lansdown Asset Management Limited (HLAM). He said HLAM put a block on his account and by doing this, he was unable to sell shares. He said this caused him investment losses. He said HLAM also caused him distress and inconvenience.

What happened

Mr C has a trading account with HLAM. Mr C said he received a message on 2 March 2023 from HLAM, where it said it required further information from him, to verify his identity.

Mr C said on 21 March 2023 he added additional funding to his account. He said on 30 March 2023 he bought US stock. Mr C said when he went back on 1 May 2023 to attempt to sell the US stock, he got a notification that he was unable to carry out the trade.

Mr C said he had around £740 unrealised profit due to HLAM's mismanagement of his account. He said HLAM should compensate him for his losses, and he has requested £500.

HLAM told our service that it sent an email to Mr C on 2 March 2023, requesting documents from him. It said this was to do with requirements it had under a directive where it needed to ensure Mr C's identity.

HLAM said it normally gives its customers some time to provide the necessary documents but on this occasion Mr C didn't provide what was needed. By 14 April 2023 it put a trading block on his account. HLAM said it had been clear in a secure message to Mr C and also in a letter sent to his address that it would do this, unless he provided the documentation it had requested.

HLAM said it received phone calls from Mr C on 1 May 2023 and the following day, and after several conversations it said it managed to obtain the information it needed. It said on 3 May 2023 it removed the trading block on his account.

Mr C has told our service that he then sold the shares on the day the transfer block had been removed. He said he had broken even but would have made a profit of around £740 if he had been able to sell the shares when he wanted.

HLAM said it cannot agree that it is liable for any investment losses caused. It said it had given prior warning to Mr C on two occasions that it would apply a trade block if the relevant documentation wasn't provided. It said once Mr C contacted it on 1 May 2023 that it removed the block on 3 May 2023, which it said was dealt with in a reasonable amount of time.

It said it has made an offer to Mr C of £100 compensation, for the poor service it said it provided when Mr C made contact. It said although it was right to put on a trade block and dealt with the issue in good time, it could have been clearer with how it explained what it needed in phone calls with Mr C, so it offered £100 for this.

Mr C was not happy with HLAM's response and referred his complaint to our service.

An investigator looked into Mr C's complaint. He said based on what he had seen he didn't think HLAM needed to take any further action beyond what had been already offered. He said he was satisfied HLAM acted fairly by placing a trading block on the account and that it was removed without delay. He said he couldn't hold HLAM responsible for the loss Mr C said he had incurred.

Mr C is not in agreement with the investigator's view. He said HLAM's online platform gave misleading information, and he carried on as he could see that he had a green check to show all was in order. He said the essence of his complaint is how HLAM mismanaged the compliance requirement of his account. Mr C's complaint has been passed to me, an ombudsman, to look into.

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.

I have independently reviewed Mr C's complaint and have arrived at the same outcome as the investigator, for broadly the same reasons. I will explain why:

- On 2 March 2023 HLAM contacted Mr C and asked for additional identification documents from him. HLAM has told our service that it ran a due diligence check, and a potential error came up. It said it needed Mr C to provide further identification to it, so that it could meet its regulatory obligations.
- HLAM are referring to its obligations given within the 'Markets in Financial Instruments Directive II' or MiFID II. It needed to ensure that it validated Mr C's identity and nationality under requirements it has with this directive and share this data with the regulator, The Financial Conduct Authority. It needed to do this, so that Mr C could trade in investments such as shares. When HLAM found a potential error here, I can see why it would want to resolve this with Mr C and meet its regulatory obligations.
- HLAM said it would normally give some time in these circumstances for a client, in this case Mr C to provide the information needed. But it said, it did make it clear to Mr C that it would need to put a trade block on his account if he didn't provide the information needed. It said it stated this in its secure message to Mr C on 2 March 2023 and in a letter, it sent to the address it had for him.
- I can see that Mr C went ahead and traded in a US stock before HLAM imposed the trading ban on 14 April 2023, but when he went to sell the stock, the block was in place, and he couldn't sell them. Mr C has complained that HLAM should have informed him before 1 May 2023 that there was a trading ban. He said if he had been able to trade on this date, he would have sold his stock for a profit.
- I have thought carefully about what Mr C has said, and also his recent comments about what he could see on the trading platform and what he said was a misleading green check on his account. But on balance, I don't think HLAM has done anything wrong here.
- HLAM has obligations to ensure that it can confirm the identity and nationality of its clients, including Mr C. It saw an issue and made contact to try and resolve things.

But Mr C didn't provide the information HLAM requested on 2 March 2023. HLAM informed Mr C twice that it would need to place a block on his account if it was unable to confirm his nationality and identity. It also gave him some time to provide what it asked. Even with Mr C's account online showing as a green check, I don't think he could have held any assurance that the issue had been resolved, considering he hadn't provided the information that it was looking for. So, I don't think HLAM has done anything wrong in any of its actions here and I don't think it is responsible for any errors and in turn any investment losses that Mr C said he has suffered.

- When Mr C was made aware of the block, he contacted HLAM, and it took 3 days for HLAM to remove it. I don't think this is an unreasonable amount of time to work through the issues and find a resolution between the parties.
- HLAM then said it carried out a separate check under its obligations around money laundering. It said this brought up another set of issues around verifying Mr C's identity and address. I note this was not related to any trading ban and Mr C was able to buy and sell any shares with the funds and assets on his account. HLAM did put restrictions though on his account so that he couldn't add or take away funds from his account until this was resolved. Again, I don't think it did anything wrong here either. It said it had an obligation to carry out checks on a regular basis and this is stipulated in its terms and conditions. I have seen the term that it is referring to. I don't think that it acted unreasonably when it carried out the checks and then took proportionate action to protect Mr C's account.
- Mr C was able to provide information to HLAM and the issues around validating his identity and address were resolved on 12 September 2023.
- HLAM has made an offer of £150 to Mr C. It said this was due to what it called poor customer service. It said it could have been clearer when it was trying to explain what documents it needed from Mr C during 1 May 2023 and 2 May 2023. It said it could have done better here. Considering what it has said happened, I think its offer is fair and reasonable and is like what I would award for issues like this.

I appreciate that my decision will be disappointing for Mr C, as I know he felt he should have received more compensation. But based on everything I have read and the findings I have given, I think HLAM's offer is fair.

My final decision

Hargreaves Lansdown Asset Management Limited has made an offer to pay £150 to settle Mr C's complaint and I think this offer is fair in all the circumstances.

So, my decision is that Hargreaves Lansdown Asset Management Limited should pay £150 to Mr C, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 April 2024.

Mark Richardson
Ombudsman