

## **The complaint**

Mr H complains about the verification processes and restrictions that Hargreaves Lansdown Asset Management Limited (“HL”) have put in place in relation to his account.

## **What happened**

Mr H has an execution only account with HL and now lives outside the UK.

In December 2022 HL asked Mr H to provide them with documents to verify his identity and explain his source of wealth. They explained that under UK money laundering regulations they are required to verify their customers’ identity on an ongoing basis, which might also involve asking questions about their source of wealth.

There followed extensive communications between Mr H and HL about the request and in February 2023 Mr H made a formal complaint about HL’s processes and the inconvenience they had caused him. On 30 March 2023 HL told Mr H that he had provided the necessary information and that the restrictions placed on his account had been removed.

Mr H remains unhappy with what happened and complains, in summary, that:

- HL’s account verification processes have caused him material inconvenience. He has spent significant amounts of time and effort dealing with unnecessary requests for information, which have caused him stress and stopped him doing other things.
- He questions why HL needed to verify his identity again so soon, having done so twice in 2020 and again in January 2022. He would like to be shown specific regulations to support what HL are requesting.
- He is a low risk customer and although he lives abroad that shouldn’t affect his level of risk. He has provided HL with proof of his address.
- When he initially submitted his identity documents by email, HL said that was unacceptable. Of the two options offered by HL, the online verification service didn’t work, and (based on his experience) he was concerned about the reliability of his local postal service.
- HL placed various restrictions on his account. He is unable to make additional investments and he couldn’t make any withdrawals. HL have also said he cannot access their ‘Active Savings’ service. The restrictions are unjustified and potentially inconsistent with HL’s own terms and conditions.
- HL haven’t adequately addressed his complaints and have repeatedly requested additional evidence without providing specific reference to the relevant regulations. They should lift the remaining restrictions on his account and pay compensation for the extensive inconvenience they have caused.

In response to Mr H’s complaint, HL have said, in summary that:

- They recognise the time and effort Mr H spent complying with their requirements and are sorry if their requests caused frustration.
- The information they requested from Mr H was part of carrying out due diligence and complying with the relevant regulatory requirements. That includes verifying a customer's identity and reverifying it on a continual basis. The regulator does not impose a set timeframe on how often they should request documentation, but HL have designed a risk based approach. They make more frequent checks for customers, like Mr H, who live outside of the UK.
- Although restrictions were imposed on Mr H's account in regard to topping up or withdrawing funds, he was free to trade as normal.
- They were willing to make an exception to their normal process and allow Mr H to email the necessary documents to them.
- They are unable to offer their 'Active Savings' service to customers who are not UK residents.

Our investigator looked into Mr H's complaint and didn't think HL had done anything wrong. She said:

- Our service does not have a regulatory role and we cannot tell a business to amend its internal processes or override any terms and conditions they have in place.
- As a regulated firm, HL must obtain specific information from their customers to meet regulatory requirements. That includes verifying their identity as well as other information. She noted that HL have adopted a risk based approach and conduct checks more frequently for their overseas customers, such as Mr H.
- In relation to the restrictions placed on Mr H's account, HL had confirmed that his ability to trade wasn't affected. In view of Mr H's circumstances, they made an exception to their normal process for overseas clients and allowed Mr H to submit his documents via email.
- HL also said they are unable to offer their 'Active Savings' service to customers living outside the UK, which was within their discretion and made clear in their terms and conditions.

Mr H didn't accept our investigator's findings and asked for an ombudsman to make a final decision. He reiterated his earlier complaint points and said:

- Our investigator didn't refer to the material inconvenience that HL had caused him. He can never get back the time wasted by HL's unreasonable demands and HL should pay him compensation for that.
- He has always tried to meet HL's requirements even when he doesn't agree with them, but HL has failed to meet his - for example, not providing information about the regulations driving their requests, not realising he had already met their requirements, not answering his specific questions and not providing help to make their service work.
- He was always a low risk customer and is now even lower risk than when he was a UK resident working in financial services. Requiring verification of his identity twice in one

year was excessive and there was no justification for HL asking for evidence of his source of wealth going back many years.

- There is no justification for HL requesting source of wealth information as he is a low risk customer and because they have refused him the right to add further investments to his account.
- It seems HL had often not read his messages, or even their own messages to him. Towards the end of their complaints process, they said that they would make a concession to allow him to send the required documents by email, but he had already done that twice and HL had confirmed they were acceptable, before they withdrew their acceptance.
- He submitted identity documents by email in January 2022, which shows that submission of documents by email was previously acceptable to HL. It was unreasonable of HL to accept the documents he submitted by email in December 2022, and then withdraw their acceptance in February 2023.
- HL maintained restrictions on his account until 30 March 2023 even though he had supplied all requested documents in December 2022. Two restrictions are still in force – he cannot add funds to his account or use the 'Active Savings' service.

### **My provisional decision**

I gave my provisional decision in February 2024. I said that I had concentrated my findings on what I considered to be the key factors in reaching a fair and reasonable outcome to this complaint.

I said that Mr H had clearly explained the frustration this matter had caused him, and I didn't underestimate his strength of feeling about what had happened. But in determining his complaint I had to take account of the relevant regulations and the role of our service.

I said that our service has no regulatory or disciplinary powers, which means we can't direct a business how to operate and we can't impose any penalties. We consider each case on its own facts and where things have gone wrong, we look to put them right on a fair and reasonable basis.

Money laundering regulations and legislation place extensive obligations on regulated financial businesses covering the entire period of a business' relationship with their customers. Businesses are required to take a risk-based approach to money laundering and have suitable systems and processes in place. The regulations aren't prescriptive and so it's up to an individual business to put in place the appropriate measures.

I noted Mr H's frustration that he was asked to verify his identity again in December 2022, having done so twice in 2020 and again in January 2022. He also thought there was no justification for HL asking him for information on his source of wealth.

I said that as a regulated firm however, HL have discretion to put in place what they consider to be appropriate arrangements to meet their regulatory requirements. And as HL had explained, under their risk based approach they make more frequent checks for customers who live outside of the UK. I noted too that under the terms and conditions of Mr H's account there was provision for HL to seek additional information to verify his identity and place some restrictions on his account until his identity had been successfully verified.

In view of this, I didn't think I could fairly say that HL did anything wrong or acted unreasonably by requesting from Mr H the information they did in December 2022. And I thought HL's email explained clearly the reasons for their request.

I said that providing the information requested by HL would naturally take any consumer time and potentially cause them a degree of inconvenience. However, having looked at the correspondence following HL's request to Mr H in December 2022 I thought HL's actions caused Mr H unnecessary distress and inconvenience over and above what might reasonably have been expected. I noted the following key points from the correspondence:

- In their email on 6 December 2022, HL asked Mr H to provide copies of his identity documents and information about his source of wealth. He could do so using the recommended online verification tool or by post. HL said Mr H's account would be restricted if they did not receive the required documents within 30 days. He would not be able to make any contributions to or withdrawals from his account, but he would still be able to trade.
- Mr H submitted his identity documents by email on 10 and 11 December 2022. On 22 December 2022 HL said they were prepared to accept Mr H's email submission and asked him again to verify his source of wealth.
- I'd seen a note of a call between HL and Mr H on 4 January 2023. HL told Mr H that their acceptance of the emailed identity documents had been sent in error and Mr H should post them along with information relating to his source of wealth.
- On 2 February 2023, HL accepted the information that Mr H had given them about his source of wealth but said he still needed to provide his identity documents.
- HL told Mr H on 15 February 2023 that as more than 30 days had passed since their original request for identity documents, they were restricting his account.
- After Mr H complained, HL said on 29 March 2023 that as an exception they would allow Mr H to email his identity documents.
- After Mr H pointed out that he had already emailed the documents in December 2022, HL confirmed that submission was acceptable and apologised they had not identified that before. HL said they had removed the restrictions on Mr H's account.

Taking all of the above into consideration, I thought HL caused Mr H unnecessary distress and inconvenience over that period. They told him that his email submission had been accepted but then told him that was a mistake before finally confirming they were prepared to accept the documents he had emailed over three months previously.

While I acknowledged that HL had said that in Mr H's case they made an exception to their normal process, I was persuaded that the confusion about his email submission caused him distress and inconvenience that could have been avoided. It also meant that the restrictions on Mr H's account remained in place for longer than they should have. I'd not seen evidence that Mr H suffered any financial loss from those restrictions. But I thought it would be fair and reasonable for HL to compensate Mr H £150 for the distress and inconvenience they caused him.

Mr H had also referred to two further "restrictions" that he said had been in place on his account for some years. He said that HL had refused to accept any additional investment

from him because he lives outside the EEA and would not allow him access to their 'Active Savings' service.

I considered what Mr H had said on these points, but I was satisfied that it was for HL to decide the terms on which they would offer their services; our service cannot direct a business how to operate. I didn't think HL had done anything wrong or treated Mr H unfairly by the decisions they had made here and so I said I wouldn't be asking them to do anything further.

### **Responses to my provisional decision**

HL didn't comment on my provisional decision.

Mr H said that while my summary of the case was detailed and comprehensive, he felt that I had underestimated the overall impact of the issues caused by HL and the compensation that HL should pay to him. Mr H commented on what I had said in my provisional decision – including the background to his complaint, our investigator's view and my findings. He said, in summary:

- He disputes HL's explanation that under UK money laundering regulations they are required to verify their customers' identity on an ongoing basis. The regulations merely require that the information held is kept up to date. Proof of his name and date of birth are valid for the duration of his passport validity.
- It is difficult for him to provide proof of address because of where he lives and because the documents that HL will accept as evidence are typically not available to him. The pressure to verify his postal address is a performative box ticking exercise of no practical value and merely serves to complete a checklist.
- He is asking for HL to be held to the agreed terms and conditions, to follow their internal processes of reverification no more frequently than every two years and to accept evidence of identity by email.
- There is no need for him to explain his source of wealth because he is a low risk customer, as defined in the money laundering regulations, and because as a regulated UK financial adviser he satisfied a succession of regulators for many years. HL is unreasonable to request documents now because he is under no obligation to keep them for more than seven years and HL have refused any further investment in his account. He has nevertheless wasted a good deal of time to satisfy this requirement to the best of his ability.
- HL's ongoing restrictions on his account are not justified by the terms and conditions of his account and are a material inconvenience to him. HL's refusal to allow him to use the 'Active Savings' service – despite sending him emails about it - means he is missing out on good interest rates. And HL's continuing restriction on his ability to top up his investment with them meant that he had to sell some shares he held with his bank at a bad time.
- Substantial inconvenience has also been caused by HL's failure to respond properly to his requests for help, being unaware they have the required evidence of identity for three months before they noticed, failing to provide a reference to support their requests and by discontinuing their previous process of accepting documents by email.
- I hadn't referred to a further request for reverification from HL on 21 July 2023.

## **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 would like to thank Mr H for his detailed submission in response to my provisional decision, which I've carefully considered along with all the information provided previously by both parties before reaching my decision. Having done so, I've not been persuaded to depart from my provisional decision.

It is clear that Mr H disagrees with the processes HL have in place and feels that, while he has done what he can to satisfy their requirements, HL should have done more to help him do so. As I said in my provisional decision however, HL have discretion to put in place what they consider to be appropriate arrangements to meet their regulatory requirements. I cannot tell them to change their arrangements in the ways that Mr H would like.

It is HL's decision to make more frequent checks for customers who live outside of the UK and, under the terms and conditions of Mr H's account, there is provision for HL to seek additional information to verify his identity and place some restrictions on his account until his identity has been successfully verified. In view of this, I don't think I can fairly say that HL did anything wrong or acted unreasonably by requesting from Mr H the information they did in December 2022.

Mr H referred to another request from HL to verify his identity in July 2023, which he sent to our service at the time. But HL said that was issued in error, they told him promptly it had been cancelled and credited £50 to his account by way of apology. I think that was reasonable and it does not change my decision on Mr H's complaint.

It is also for HL to decide the terms on which they offer services to their customers; our service can't direct a business how to operate. I don't therefore think HL have done anything wrong by refusing to accept additional investment from Mr H because he lives outside the EEA and by not allowing him access to their 'Active Savings' service. I won't therefore be asking HL to compensate Mr H for any losses he says he has suffered as a result of HL's decisions.

I recognise that complying with HL's requests has taken Mr H considerable time and caused him frustration and inconvenience. As said in my provisional decision, I think HL's actions caused Mr H unnecessary distress and inconvenience over and above what might reasonably have been expected. Their actions also meant that restrictions on Mr H's account remained in place for longer than they should have.

Mr H has said that I have underestimated the impact of the issues caused by HL and the compensation that HL should pay to him. I have considered carefully everything that Mr H has said and reviewed again what happened, including the correspondence between Mr H and HL that I summarised in my provisional decision. But overall, I am satisfied that compensation of £150 is fair and reasonable for the distress and inconvenience that HL have caused Mr H.

## **My final decision**

For the reasons I've explained, my final decision is that I uphold in part Mr H's complaint against Hargreaves Lansdown Asset Management Limited.

HL should pay Mr H £150 in compensation to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 16 April 2024.

Matthew Young  
**Ombudsman**