

## **The complaint**

Mr E complains that Columbia Threadneedle Fund Management Limited trading as Columbia Threadneedle (Columbia) closed a fund he was invested in and so made him liable for capital gains tax, which he didn't want. Mr E wants Columbia to indemnify him against capital gains tax.

## **What happened**

Mr E was invested in the CT Asia Pacific equity fund ('the fund'). He bought his shareholding when the fund was managed by a different entity. But at the time of the events that are the subject of this complaint, the fund was managed by Columbia.

On 17 July 2023 Columbia notified Mr E it would close the fund on 21 September 2023. Columbia said that for tax purposes Mr E would be deemed to have disposed of his holding in the fund. And so he might become liable to pay capital gains tax (CGT) on the holding.

Mr E complained to Columbia. He said he wasn't happy that Columbia was forcing him to incur a CGT liability and he wanted Columbia to reimburse him for that.

Columbia said it hadn't done anything wrong. It said that, as required by the regulator – the Financial Conduct Authority (FCA) – Columbia had detailed processes in place which it used to assess the value of its funds. It said its assessment of the fund had found that the fund wasn't providing value. Columbia had then applied to the FCA for permission to close the fund and the FCA had given that permission. Columbia said it had given Mr E ample notice that it was closing the fund.

Mr E referred his complaint to this service. He said Columbia's response to him merely reiterated its reasons for closing the fund. And the amount of notice it gave would've only made a difference if it had given notice before the Autumn 2022 budget.

One of our Investigators looked into Mr E's complaint. The investigator didn't think Columbia had done anything wrong. In summary, she said the following:

- She understood the closure of the fund would've been frustrating for Mr E.
- Rules in the FCA Handbook at COLL 6.6.20 required Columbia to assess the value of the fund annually. And rules at COLL 6.6.21 set out seven strict criteria that Columbia had to use in that assessment.
- The assessment showed that, according to the FCA's criteria, the fund was no longer providing value to shareholders.
- Columbia followed the correct process required of it when it applied to the FCA to close the fund. The investigator had seen the application form but wouldn't share it with Mr E because it wasn't in the public domain and was provided to this service in confidence.

- Columbia gave Mr E 60 days' notice and that was a reasonable amount of notice.
- Because Columbia hadn't done anything wrong it shouldn't have to indemnify Mr E for any CGT liability he incurred when he disposed of his holding in the fund.

Mr E didn't agree with the Investigator's view. He said he wasn't asking for the fund to be reinstated. And 60 days' notice didn't change the fact he incurred a CGT liability. He also asked to see the application Columbia made to the FCA when closing the fund.

About the application the investigator said the rules that apply to this service at DISP 3.5.9 of the FCA Handbook say where the ombudsman considers it appropriate this service may accept information in confidence (so that only an edited version, summary or description is disclosed to the other party). And it was appropriate in this instance to keep the application confidential.

Because no agreement could be reached, the complaint was passed to me to review afresh and make a 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 not upholding the complaint. I'll explain why.

The purpose of this decision is to set out my findings on what's fair and reasonable, and explain my reasons for reaching those findings, not to offer a point-by-point response to every submission made by the parties to the complaint. And so, while I've considered all the submissions by both parties, I've focussed here on the points I believe to be key to my decision on what's fair and reasonable in the circumstances.

Columbia was required by the FCA's rules to assess the value of the fund. And the FCA's rules set the criteria by which Columbia had to carry out that assessment. So I can't say it was unreasonable for Columbia to assess the fund's value the way that it did.

I understand Mr E has a different opinion about the value of the fund and he would've preferred it to stay open. But a business is generally entitled, in the reasonable exercise of its legitimate commercial judgment, to run its affairs how it chooses – so long as it's not acting unfairly. That includes offering the products it chooses to offer.

In this case, I don't think Columbia was acting unfairly. It had carried out an assessment of the fund's value and reached a decision based on that assessment. Mr E is entitled to disagree with Columbia's assessment and its decision, but that doesn't change the fact Columbia has the discretion to close a fund if it decides the fund isn't providing value. And I don't think it was unfair for Columbia to use that discretion once its assessment had suggested the fund wasn't providing value.

Having decided to close the fund, Columbia had to apply to the FCA for approval before it could give effect to its decision. I've seen Columbia's application and I'm satisfied on balance that the application was duly made to the FCA. It was the FCA's role to approve or not approve the planned closure, based on information Columbia provided which included the assessment of value. So – again – I can't conclude that Columbia was wrong to close the fund once it had applied to the FCA for approval to do so.

I sympathise with Mr E over the CGT liability he's accrued because of the fund's closure. But

because Columbia wasn't wrong to close the fund, I can't fairly and reasonably require Columbia to indemnify or reimburse Mr E for the cost of the CGT.

### **My final decision**

For the reasons I've set out above, my final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 13 December 2024.

Lucinda Puls  
**Ombudsman**