

The complaint

Mrs B complains that Hargreaves Lansdown Asset Management Limited ('HLAM') has provided incorrect information regarding the true value of her investment holdings.

What happened

Mrs B holds a stocks and shares ISA with HLAM. She had previously invested £7,000 into the Woodford Income Equity Fund ('WEIF') in 2014. In November 2023, Mrs B called HLAM to ask for an explanation as to how it set out the cost price for her holdings in the WEIF. Mrs B's husband assisted her during the telephone call, and they were passed to a specialist team to discuss how the cost figures reflected the distributions as Mrs B was unsure as to the amount of loss being shown. The adviser attempted to explain how HLAM set out the cost price and also promised to supply further calculations to Mrs B, for her understanding.

By way of background, the WEIF's Authorised Corporate Director, Link Fund Solutions ('Link') and Depositary, Northern Trust, agreed to temporarily suspend dealing in order to protect the WEIF investors following concerns about increased redemptions. Winding up of WEIF commenced on 18 January 2020 and the first capital distribution was paid on 30 January 2020. Further capital distributions have since been paid in March, August and December 2020, November 2022 and March 2024.

On 29 November 2023, Mrs B complained via HLAM's messaging facility. In addition to her existing concerns remaining unresolved, Mrs B was particularly unhappy with how the adviser from HLAM's helpdesk had dealt with her query. Further information about the calculations should have been supplied within five days – but HLAM didn't do this.

On 23 January 2024, HLAM issued a final response letter to Mrs B in which it rejected the substantive complaint. It explained the difference between the reductions in cost price displayed under the corporate action headers and the actual payments that she had received into her stocks and shares ISA – and these were correct. In terms of the customer service Mrs B had received, HLAM agreed that failings had occurred with a failure to respond as promised, and its staff member not being able to adequately address Mrs B's concerns via telephone. For this, it paid her £300 compensation.

Mrs B remained unhappy with HLAM's decision to reject her complaint overall. She contacted HLAM again on 23 January 2024, 24 January 2024 and finally on 26 January 2024 to challenge the way in which it had set out the loss shown on her investment.

HLAM issued a further reply, explaining how it recognised why Mrs B found the calculation confusing. However, it still didn't think it had acted unfairly. It reiterated to Mrs B how:

"The cost price displayed in your account is calculated by offsetting the value of the distribution against the original cost price, in your case £7,000. For example, in the first distribution you received a cash payment of £4129.55, however, this isn't the value recorded in your cost price. We calculate the cost price by taking away the percentage of your fund that was sold in that distribution."

The first distribution accounted for 74.05% of the fund, and so your original cost price of £7,000 was reduced by 74.05%, which equated to £5183.50. This is the value you will see in your account under the 'Cost'. This system isn't designed to directly record each distribution payment against your original purchase. Our cost figure is designed to show an average cost, with the gain or loss figure calculated as the difference between the prevailing value of your holding vs. the cost of your holding."

HLAM told Mrs B that she had the right to bring her case to the Financial Ombudsman Service if she required. Mrs B did so shortly thereafter. She said that the complaint concerned just two points:

1. HLAM had supplied her with false and misleading financial information concerning the costs and losses of the WEIF investment; and
2. In setting out the information in the way it chooses to, HLAM is saying that the loss is smaller than it actually is.

One of our investigators then reviewed the complaint, but he did not think HLAM had done anything wrong. He noted that Link had set out in its January 2020 corporate action letter how – until the winding up of the WEIF was complete – it would calculate and publish the net asset value per share. HLAM had included this and the distribution values in its reporting.

However, our investigator did not believe he should require HLAM to set out the calculations in the way Mrs B had asked, as to do so may not give a correct reflection of the overall fund in its current situation. He believed that HLAM had followed its own processes correctly. Our investigator was unable to say that it had acted unfairly in the circumstances.

Mrs B disagreed. She made a number of further written submissions to our investigator, noting:

- She pays HLAM fees for it to provide her with true and accurate information about her portfolio, but it hasn't done so.
- It has instead grossly and misleadingly misstated her actual loss on her WEIF investment.
- The investigator agreed with her as to the value of the actual loss.
- HLAM also conceded that the way it shows loss may not be actually demonstrable of the total losses she has incurred and it apologised for that.
- If both HLAM and the investigator accept this, she questions why her complaint has not been upheld.
- HLAM's failure means it only shows 18.7% of her actual losses on her statements.
- She has never queried that the investment would suffer a loss – she knows the fund was wound up from 2020.
- However, she still expects HLAM to show accurate information about that loss.
- She accepts that this service cannot step into the role performed by the Financial Conduct Authority ('FCA').
- Despite this limitation, she does not see why the complaint cannot be upheld.
- Though she is aware of the extent of the loss from her own calculations, she wonders if she had actually lost more – and HLAM had failed to point that out too – whether this service would have acted differently.
- She doesn't seek any financial compensation, since HLAM's incorrect reporting hasn't had any financial implication on her.
- Nonetheless, Mrs B believes this should lead to a finding that HLAM has acted unfairly and her complaint ought to succeed.
- A fair outcome to the successful complaint would be a finding that it is potentially confusing for HLAM to present a figure purporting to be loss which is actually based

on complex calculations that do not reconcile with a true arithmetical calculation.

Though he reviewed Mrs B's further comments, our investigator was not minded to change his view on the complaint. He said he remained satisfied that HLAM had explained how the information was going to be presented regarding performance of the overall fund and that Mrs B had sufficient information to understand what the true loss was on her investment, even though HLAM may not have presented that information in the way she wanted.

Mrs B said she still disagreed. She supplied two detailed letters containing further submissions along with an extract of the terms and conditions for her investment, issued by HLAM. I have read these in full, though given I am setting out a synopsis of the background of this complaint, I will not repeat them verbatim here. In summary, she said:

- The HLAM terms and conditions say, "*The HL Service is provided by HLAM for 'retail clients'. As a retail client you will receive information in a straightforward way*".
- The information HLAM provided was not 'straightforward' in any sense of the word.
- HLAM never gave any proper explanation, until she queried matters.
- Further, it gave incoherent descriptions in the first instance – which shows it does not properly understand the calculation either.
- Only after she complained did HLAM explain that the total loss she had suffered might be set out differently.
- HLAM accepts that it caused her confusion.
- All this service had to do is determine if HLAM had behaved fairly and reasonably or not – and in her view, it is unequivocal that it has not done so.
- In any other capacity, she is certain this service would not find it acceptable to quote incorrect figures for losses.
- She also questions if this service is saying she is unfair and unreasonable for asking for the figures to be shown in a different – and crucially, straightforward – way.
- HLAM should have made all of its clients with WEIF holdings aware that it would show losses in a convoluted way.
- If she hadn't investigated matters herself, she would still be unaware of her true losses – which are some £1,934.96 not the £362.53 HLAM has presented.
- HLAM's actions seriously misled her, and so her complaint has some merit.
- She wants her complaint to be looked at afresh by an ombudsman.

HLAM had no other comments to make. The complaint has now been passed to me.

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'd like to thank Mrs B for her detailed comments in response to the investigator's assessments. I have read all of her submissions; I understand her dissatisfaction and why she has felt the need to make this complaint. However, I have concentrated on the issues I believe to be central to the complaint to decide what I think is a fair and reasonable outcome in all of the circumstances. We are not a court; and though there are rules I may rely on in respect of complaint handling procedures, I'm not required to make specific determinations on every individual submission put forward by the parties.

I also understand Mrs B's complaint is not about advice or about Mrs B's decision to invest in the WEIF. Her specific concerns relate to how HLAM sets out the performance (and in this case, the specific loss) of the WEIF as part of her investment holdings in her investment ISA.

However, having reviewed all of the evidence, I agree with the outcome our investigator reached, and I don't believe HLAM needs to do anything further to resolve the complaint.

The cost figure displayed in Mrs B's account is designed to show an average cost, with the gain or loss figure displayed calculated as the difference between the prevailing value of the holding vs. the cost of the holding.

Though Mrs B has received multiple distributions as a result of the winding up of the WEIF, her holding size of 7000 units has stayed the same. However, the net asset value of her units has decreased, as each distribution involved a part disposal of the WEIF's assets. To account for this, Mrs B's current 'cost' has been calculated by treating each distribution as though it were a partial disposal of her shares and reducing the cost price by the same percentage of the fund sale. This remaining 'cost' was then compared with the current recorded value of Fund, at 1.01p per unit, to calculate a (currently unrealised) 'loss' figure.

HLAM has explained how it calculates 'loss' in this way to represent the losses on the remaining holding yet to be distributed back to shareholders. It decided to reduce the cost price given the falling net asset value of the WEIF, to prevent its customer accounts showing a disproportionately large loss, or potentially a negative cost figure.

To that end, HLAM explained that if it kept Mrs B's cost figure at £7,000 and recorded the current value of the holding as £70.70 (£7,000 x 1.01p), her account would show a loss of £6,929.30. This would be misleading because while her original purchase price was £7,000, she has since received distributions totalling £4,994.34 in the winding up of the WEIF and £361.07 in connection with Link's scheme of arrangement.

In 2019, the FCA set out the rules around the information that an investment business needed to provide its clients in the Conduct of Business rules ('COBS'). COBS 16A said:

"COBS 16A.2 – General client reporting and record keeping requirements

COBS 16A.2.1

(1) A firm must provide a client with adequate reports on the service provided in a durable medium.

(2) The reports must include:

- a. Periodic communications to the client, taking into account the type and the complexity of the financial instruments or insurance-based investment products involved and the nature of the service provided to the client; and*
- b. Where applicable, the costs associated with the transactions and services undertaken on behalf of the client."*

These are the rules which HLAM needed to comply with when writing to Mrs B about her investment and I'm satisfied that the information HLAM provided met with its regulatory obligations. Further HLAM has explained how it has followed the formula provided by HMRC when calculating how much of the original cost price can be used to match against a part disposal. The formula is $A / (A + B)$, where A = the disposal consideration and B = the value of the part retained at the time of the part disposal. This provides the fraction of the cost to be used in calculating any gain/loss accrued on the part-disposal, applied on each occasion as a percentage reduction. Following this, Mrs B was able to calculate the loss realised on all of the part disposals of the WEIF's assets, giving a total realised loss figure.

I realise that HLAM's method is frustrating for Mrs B, but I cannot agree that it has behaved unreasonably, outside of the policy terms or contrary to any regulatory requirements. That

Mrs B feels there is a simpler method doesn't mean I must automatically conclude HLAM has failed to provide clear or reasonable information. I feel it has been able to set out why the cost figure is shown, and how it was ascertained. In reaching that conclusion I am not suggesting that she has acted unfairly or unreasonably. What I am saying is I cannot uphold her complaint, because I don't find HLAM to have acted unfairly in all of the circumstances.

Finally, I have also considered that HLAM paid Mrs B £300 compensation for the inconvenience and frustration it caused her – notably when its call handler did not send further information as agreed and by failing to send her the complaint acknowledgement that was promised. I am pleased to see HLAM identified these mistakes at the earliest opportunity. The payment it made to Mrs B was appropriate in the circumstances and I do not believe HLAM needs to do anything further to resolve this complaint.

My final decision

I realise that my decision won't be what Mrs B has hoped for. However, for the reasons explained above, I am unable to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 13 February 2025.

Jo Storey
Ombudsman