

The complaint

Mr W complains about the amount of charges Hargreaves Lansdown Asset Management Limited ('HL') has applied to his account, how those were disclosed and it not providing him with information he requested.

What happened

Mr W had a SIPP, ISA and General Investment Account with HL. On 27 September 2023, HL emailed Mr W to inform him over the last 12 months he'd spent £36,313.18 on charges for his accounts, which reflected at least 20% of his portfolio value.

Concerned with the level of charges applied to his accounts, he discussed them further with HL. In doing so he asked HL to refund the charges and provide him with further information to help him understand what he'd paid over the previous three years.

In response HL sent Mr W a secure message on its platform on 3 October 2023 which included a breakdown of the charges applied between 1 August 2022 and 31 August 2023. And in a separate message, statements for his accounts from 1 January 2022 to 2 October 2023. Mr W wanted to know more about the charges prior to those dates and asked for statements to show the charges he paid since 30 July 2020 – which Mr W says wasn't received.

As Mr W was dissatisfied with how HL had handled his request to refund the charges paid or provide the information he asked for, he complained to the firm. In summary he said:

- While HL promotes its share dealing charge, it didn't clearly disclose the additional charges for overseas shares.
- The high amount of charges he'd paid should've been raised with him when he discussed his investments with an adviser within HL's group.
- The charges were unfair as they were too high given they represented 20% of the value of his portfolio.
- HL should refund the last two years' of charges paid, reimburse his costs to change provider and compensate him for the impact this had on him.

As Mr W didn't receive a response from HL, he referred his complaint to our service. HL did later provide its response to the complaint and offered Mr W £150 to compensate him for the way it dealt with his request for information. Regarding the charges, it said:

- Mr W was trading overseas shares which incurs an additional foreign exchange ('FX') charge.
- HL clearly sets out the charges in its terms and conditions for overseas shares.
- Mr W would've seen the total cost prior to completing the trade.
- It emailed Mr W about the charges incurred as part of new communications it carries out when it identifies potentially detrimental trading activities.

Responding to our request for further information about the complaint, HL increased its offer to £300.

One of our Investigators considered the complaint and said HL's offer of £300 was fair because:

- HL provided an execution-only service and so it was for Mr W to ensure he understood the charges.
- HL set out the charges clearly which had been applied in line with the terms and conditions.
- HL provided the full dealing costs in the contract note, annual reports and the dealing screen itself.
- It wasn't unreasonable when Mr W spoke to HL's adviser that he didn't raise the charges Mr W had paid.

As an agreement couldn't be reached, the complaint has been passed to me to decide.

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.

HL sets out in its terms and conditions that it provided Mr W with an execution-only service. This means it would be his responsibility to understand the dealing services, the investment decisions he was making, and the costs involved. And, therefore, to decide whether the service HL offered was right for him and met his needs.

While I've not seen Mr W's agreement to those terms, given HL requires acceptance of them prior to providing its services, I think it's likely he did.

Relevant to the charges Mr W disputes, the terms around his responsibility to understand them at A11 include:

“... It is your responsibility to ensure you are aware of the current charges that apply to a particular investment before you instruct us to place a deal...”

A14 includes the following statement about overseas dealing and the additional charge which would apply to those trades:

“[Overseas shares] will be dealt at the overseas market price and converted into sterling by a UK-based market maker at the prevailing interbank exchange rate. We will charge you a separate FX charge on each deal – see Tariff of Charges for details.”

The Tariff of Charges HL refers to above, which forms part of HL's terms and conditions, sets out when charges will be applied across its services and the applicable rates for those. This document explains trades will incur a share dealing charge, which ranged from £5.95 to £11.95 for each deal depending on the number of recent trades carried out.

Also set out here is information about the charges for trading overseas shares. Summarising A14 of the terms, HL sets out here that for each deal placed an additional FX charge will be applied. This section also refers back to the terms relating to its overseas share dealing services and asks for this to be read prior to dealing overseas shares.

The applicable charges for overseas deals are set out to be for the:

First £5,000 – 1%
Next £5,000 – 0.75%
Next £10,000 – 0.5%
Over £20,000 – 0.25%

From the evidence provided when Mr W placed overseas trades I've not seen HL clearly presented the FX charge for the trade. The screenshots provided show the total charge, commission and a levy for placing the deal, but not the FX charge. While HL's disclosure of the FX charge could've been clearer, in my opinion, Mr W was provided with enough information, as set out above, to be able to fairly understand the applicable charges and the total cost of the trade prior to entering into it. Overall then I'm satisfied HL gave Mr W enough information about the cost of the trade and that an additional FX charge for overseas trades apply.

It follows I'm satisfied HL clearly disclosed that using its overseas share dealing service would incur additional costs to its standard dealing charge, and did so in a manner which was clear, fair and not misleading. HL then in my opinion wouldn't be treating Mr W unfairly by including this additional charge for dealing overseas shares in its service to him.

When applying those charges, I need to be satisfied on balance that HL did so fairly in the circumstances.

The trading history across Mr W's three accounts between 2 August 2022 and his last trade on 28 July 2023 shows he instructed a total of 1,153 trades, of which 645 were overseas. The cost of all those trades before charges amounted to around £4.4m with £6,866.13 being paid in dealing costs and separately £25,802.27 in FX charges. Both Mr W and HL have said those charges amount to around 20% of his portfolio. But when thinking instead about the FX charges compared to the value of trades placed instead, that amounts to around 0.75% – which would be in line with the charging structure set out above.

I've looked at the FX charges recorded in the transaction history and the information HL provided Mr W about how they would be calculated. In doing so, I'm satisfied HL, from the sample I've reviewed, HL has applied them fairly as the charges have been correctly calculated. The charges prior to August 2022 haven't been provided but given the accuracy of what has, I think it's likely the earlier charges would also have been correct and therefore on balance fairly applied.

Mr W says HL should have provided him with information about the charges he was paying before it emailed him about them in September 2023. The inference being had HL done so then Mr W would've changed his trading behaviour earlier to avoid them.

I've considered this point, in particular what both parties have said about Mr W's interactions with an adviser within HL's group, as well as annual reports sent to Mr W about his accounts. Looking first at the points around the advice, it's not clear which entity within the HL group the adviser represented. But regardless of the part of HL Mr W was interacting with, I'm not persuaded those discussions ought to have led to HL alerting Mr W to the charges he was incurring from those discussions. I say this because the evidence I've seen persuades me those only amounted to initial discussions about the prospect of taking professional advice, which Mr W didn't take further. In my opinion that wouldn't reasonably cause or obligate the adviser to review and provide advice or information around the charges Mr W complains of.

I also say this because HL was providing Mr W with annual reports for his accounts which would've clearly highlighted the charges he was paying. The extracts provided show HL

specifically set out clearly among the other charges paid in that year, the FX charge on its own. It follows then HL had already been provided the information he expected the adviser to have set out to him. It follows then I've not seen HL needed to do more than it did to communicate with Mr W about the charges he was paying or was required to review them more than it did.

Overall, when thinking about the charges Mr W incurred, I accept HL could've provided clearer information about the FX charge at the point deals were placed. But on balance, I'm persuaded overall HL gave Mr W enough information about its dealing charges and how they apply to his accounts, and applied those charges to his trades fairly. While I'm sympathetic to the situation Mr W has found himself, given the above I can't fairly say that HL needs to reimburse any of the charges Mr W complains of, or the costs he's incurred to change provider.

Turning now to how HL handled Mr W's requests for further information. I think it's clear from the evidence and HL's comments that it didn't send the information Mr W asked for. HL said in its exchanges with our service that the statements for those date ranges would be sent to him outside of this complaint. If HL hasn't done that, I would expect it to now do so.

As the information Mr W asked for was statements and transaction records, those ought to have been readily accessible. It wouldn't be unreasonable then for Mr W to have asked for those to help him understand the charges applied to his account. HL then ought to have provided that when requested in a reasonable time, and by not doing that, HL has caused Mr W frustration and inconvenience. In deciding what is a fair and reasonable way to compensate Mr W for the impact that had on him, I have also considered that the information HL did provide was sufficient to show him how and why he was accruing the charges he complains of, although I appreciate and accept Mr W was also interested in the total amount.

When making those considerations, I'm satisfied the offer of £300 that HL has already made fairly compensates Mr W for the impact of not providing this information has had on him. I understand that HL paid the initial £150 offer, however communications since suggest this may have since been returned to the firm or paid to charity.

Putting things right

HL has already made an offer to pay £300 to settle the complaint and I think this offer is fair in all the circumstances.

My final decision

Hargreaves Lansdown Asset Management Limited should pay £300 less any amount it has already paid, whether to Mr W or through his instruction to pay to another party.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 3 January 2025.

Ken Roberts
Ombudsman