

The complaint

Mr H has complained about the charges levied on his Hargreaves Lansdown Asset Management Limited ('HLAM') self-invested personal pension ('SIPP').

Mr H has complained that charges, specifically those incurred on FX transactions, were not appropriately disclosed. Given the high volume of trades instructed by Mr H involving US shares, the charges applied to his pension were much higher than the illustrative charges which had previously been included on his investment reports.

Mr H has requested a proportion of the charges levied be returned to him by HLAM.

What happened

Mr H received his Spring investment report in May 2024. As well as commentary on wider investment markets etc this provided Mr H with details of his holdings and all the trades he had made from 1 February 2024 to 29 April 2024.

The charges section of the document firstly broke down the actual charges which had been levied on Mr H's SIPP from 1 May 2023 to 30 April 2024, and then provided a "5 Year Illustration of Charges" which detailed what the impact of the charges may be over the subsequent 5-year period.

The illustration showed total average costs of 0.46% of the fund value each year, whilst the actual charges levied on Mr H's SIPP equated to 5.12% of the value of the account, with the bulk of this resulting from the £32,585 cost of Mr H's FX transactions.

Given the difference between these two figures, Mr H registered a complaint with HLAM.

HLAM issued its complaint response on 2 July 2024. This did not uphold Mr H's complaint.

HLAM said that it applied additional fees to overseas trading to cover the additional costs it faced when completing these transactions for its customers, and that whilst it appreciated the actual fees applied to Mr H's account were significantly different to the "illustrative" figures it had provided, this was due to Mr H's trading activity - which had been significantly more frequent than the illustrative assumption.

HLAM explained that they were an execution only service, that it was up to Mr H to decide how often to trade, and that they could not be considered responsible for his decision to trade more frequently than the illustrative charges section of his investment report had considered.

On 31 July 2024 HLAM sent Mr H a secure message warning him about the frequency of his trading, noting that he had traded over 500 times over the previous 12 months and that dealing charges had been over 60% of the overall value of his portfolio before discounts and rebates. (I would note here, as per Mr H's commentary, that this 60% figure is misleading as Mr H was in the process of moving significant holdings away from HLAM by the time this message was received).

Mr H did not accept HLAM's complaint response and referred his complaint to this service.

Our investigator looked into things but concluded that HLAM had not acted unfairly.

The investigator said that HLAM clearly set out the charges applicable to FX trades on their website and in the terms and conditions document for Mr H's type of policy, with there being additional prompts pointing account holders to this information before any trade is made. The investigator also noted that all charges are included in the contract note issued for each trade made.

Mr H did not accept the investigators findings, stating that his Spring 2024 investment report was the first time the total charges which had applied to his account had been included in a statement. As such, whilst he had been aware of the additional charges which would be levied on an FX trade, HLAM had not provided him with a summary including the cumulative charges applied to his policy until the Spring 2024 statement.

Mr H said he believed HLAM's previous statements showing only illustrative charges were not sufficient, and it should always have been their responsibility to aggregate the FX charges he was incurring and provide him with this information on a regular basis.

Mr H stated that the total charges indicated on the Spring 2024 statement were very high, and if he had been aware of this beforehand, he would have amended his trading strategy.

Our investigator was not minded to change their findings and as such the case has been passed to me for a final 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.

As documented in our investigator's findings, I have also looked at the HLAM website and whilst I can see the annual account charges figure is quoted as 0.45% - in line with the illustrative charges included on Mr H's Investment summary document, the website is also clear that there are additional charges for share dealing, with further charges for overseas share dealing.

The terms and conditions document for Mr H's type of policy also provides the same information about the charges levied on share dealing and FX trades.

Additionally, HLAM have provided screenshots of their system showing what a policyholder would see when making share / FX trades with links to the relevant charges information being provided each time a trade is made. Finally, HLAM have also explained that for each completed trade, a policyholder is issued a contract note which documents the trade – including the charges incurred.

As such, in line with what our investigator has already said, I believe HLAM have acted reasonably in trying to ensure Mr H was aware of the additional cost of each of his FX trades.

I have further considered whether the Investment reports, and specifically the "illustrative charges" section could be considered misleading. Here, again, I have reached the same conclusion as our investigator, and for broadly the same reasons.

The first page of the investment report confirms that it shows the *“charges for the past 12 months as well as the potential impact of charges on your returns over the next five years”*.

The SIPP 5 Year Illustration of Charges section itself states that the *“costs, charges and returns are for illustrative purposes only”* and states Mr H should *“check the costs and charges of your investment and our service before investing”*.

The illustration also confirms that the potential future pension values provided are based on assumed growth rates and that *“we assume investments are held for the duration of the illustration, so no dealing charges are included”*.

Overall, I have concluded that the five-year illustrative charges section of the report is sufficiently clear that it is based on several assumptions, both in terms of future investment growth and investment strategy, and that Mr H would (or should) have been aware that he managed his SIPP account in a materially different way. As such the charges which would be applicable to his account would also be materially different to those indicated in the illustration.

Mr H has stated that the fact that HLAM included full details of the actual charges which were levied on his policy in his Spring 2024 investment report (when this information wasn't previously provided), shows that HLAM always had a responsibility to provide him with this information. As such, the fact that previous investment reports only included illustrative charges information means his complaint should be upheld.

I however disagree.

Businesses are entitled to change their processes and improve / increase the amount of information they provide to their customers without that automatically meaning their previous processes were wrong. Businesses may change their way of doing things either because of changes in regulation or as part of an internal review, either way, such changes do not necessarily mean the business was acting unfairly prior to the change.

In this case, whilst HLAM have increased the amount of information provided to Mr H about the charges levied on his SIPP, I do not believe the historic provision of the illustrative charges can be considered misleading. The illustrative charges section is clear that the figures included are based on assumptions.

Mr H would have known the way he was managing his SIPP was materially different to the way the illustration had been prepared and would also have been provided with sufficient information about the cost of each individual trade.

As such, given the level of trading activity undertaken by Mr H, I think it would, or should, have been clear that significant charges were being incurred.

In line with what I have said above, I do not consider HLAMs provision of the warning message to Mr H in July 2024 as an indication their previous conduct was unreasonable or unfair either. The fact that HLAM considered it appropriate to issue Mr H such a warning in July 2024 does not automatically mean they were wrong in not doing so previously. At the point the message was sent Mr H had commenced transferring his investments away from HLAM meaning that the cumulative value of the charges at that point represented a much higher proportion of Mr H's HLAM assets at that point than they had in the past.

Overall, I have concluded that HLAM provided Mr H with sufficient information about the charges which would be incurred as a result of his trading activity, and as such do not

consider it reasonable to require any refund of these charges. I am therefore not upholding this complaint.

My final decision

In line with the commentary above I am not upholding this complaint and require no further action from Hargreaves Lansdown Asset Management Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 22 March 2025.

John Rogowski
Ombudsman