DRN-5072761

The complaint

Mr S complained that Financial Administration Services Limited ('Fidelity') gave him inaccurate information about one of his investment holdings on its online platform.

What happened

In an investment account with Fidelity Mr S had an investment holding which he no longer considered appropriate for his portfolio. He decided to sell it if it broke even.

On 16 May 2024 Mr S considered that Fidelity's online account summary page showed that his holding had broken even. So he sold it. He recorded the transaction in an investment software package he used separately for his own records. The package showed that instead of breaking even he'd made a loss of about £1,000.

On 17 May 2024 Mr S complained to Fidelity about the book cost information it displayed on his account summary page for the holding he'd sold. He said Fidelity had correctly calculated the book costs for his other investments, but for the fund he'd now sold he thought the book cost was wrong. He'd intended to sell the fund when he could break even. But because of the inaccurate book cost he'd sold at a loss of about £1,000.

Fidelity didn't think it had done anything wrong. It said its technical team had confirmed the book cost was correct. And that was because when Fidelity calculated book cost it didn't consider reinvested dividends or income – the book cost was only money which had been contributed directly by Mr S. Fidelity said its capital gains tax reports set out acquisition costs which did include the reinvestments, and this better aligned with the value Mr S said he expected to see.

Mr S wasn't satisfied. He referred his complaint to this service. In summary he said the following:

- The number of units shown on the summary page had included those acquired by reinvesting dividends, but the book cost included only the initial purchase costs, and not the amount of the reinvested dividends. So the account summary page had given an inaccurate picture of Mr S's gain or loss, and that had caused him to sell his investment at a loss when he otherwise wouldn't have sold it.

- The account summary page calculated book costs correctly for other investments and it was only for this one investment that it was wrong.

- Fidelity calculated book costs correctly in its capital gain/loss report, but that report was only available after the investment was sold.

- In providing information about his investments such as '*quantity*', '*book cost*' and '*performance'*, Fidelity should present the total cost of any holding, including shares bought, dividends reinvested and rights issued. Then an investor could subtract them from current market value to determine the true gain or loss of the holding.

- The account summary page was Fidelity's main trading page.

- The account summary page's description of book cost said: '*This shows you how much you paid for each investment and changes as you buy or sell that investment. The figure only refers to the cost of units/shares that you still have with us*'.

- The performance report said the following about gain/loss since inception: '*This shows how well your investment has done and includes dividend income that you may have reinvested but excludes any cash withdrawals or income paid directly to you. This is calculated as the latest value of the units you hold minus the book cost of the units (excluding income re-investments)*'.

- Fidelity's '*How to track your performance*' said: '*Unrealised return is the difference between what you have invested in your asset from your own money and what it is worth now. Re-invested income adds to your unrealised return, but income you have been paid out does not.*'

- Fidelity's '*How to understand your performance report*' said investment return included income that had been reinvested into the holding.

Fidelity said the following:

- Fidelity was an execution-only service. Mr S was responsible for making his own investment decisions and monitoring his investment performance. The tools Fidelity supplied online were provided as a guide only.

- Book cost was the amount a person had paid for an investment. Mr S assumed it would include reinvested dividends but it didn't. Dividends and other income reinvested were the result of money earned by the investment. Buying units with that money didn't cost Mr S anything. So it wasn't a factor to include in the book cost.

- When he sold his investment Mr S made a small gain against the book cost, but market performance had eroded most of the dividends he'd received.

- Fidelity provided Mr S with transaction confirmations, tax vouchers setting out what income/dividends he'd received, statements, an online transaction history, and access to fund performance information.

- Fidelity's method of calculating book cost was consistent with others in the industry.

- Mr S was unhappy about having sold his investment at a loss. But the price of the fund he sold had continued to fall. So if he wanted to mitigate his loss he could repurchase units in the fund at a lower price. And he'd then be in a more advantageous financial position.

One of our Investigators looked into Mr S's complaint. He didn't think Fidelity had done anything wrong. In summary he said the following:

- Fidelity said its platform didn't include reinvested dividends in the book costs for any investments – so the one Mr S had complained about wasn't calculated differently.

- Fidelity had acknowledged its platform could include more information to say specifically that book costs didn't include reinvested dividends as a cost. But Fidelity thought that overall sufficient information was available to Mr S through the information prompt on the gain/loss calculation.

- The information prompt said the following:

  '*This shows how well your investment has done and includes dividend income that you have reinvested but excludes any cash withdrawals or income paid directly to you. This is calculated as:*

  The latest value of the units you hold minus the book cost of the units (excluding income re-investments)'

- The information that reinvested dividends weren't included in the gain/loss calculation was available on Fidelity's website.

- The investigator couldn't see Mr S had made a financial loss because the fund he'd sold had dropped in price since he sold it. So Mr S could've repurchased the shares and put himself in a position that was the same or better than the one he'd been in before he sold.

Mr S didn't agree with the investigator's view. In summary he said the following:

- It wasn't rational for Fidelity's page to show units that had been purchased by dividends but not show the cost of those units.

- The capital gains/loss page showed correct values but is only available after the units had been disposed of.

Because no agreement could be reached, this 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.

I must note firstly that I too haven't seen that Mr S suffered an unavoidable financial loss. Although by selling his investment he crystallised the profit/loss position he held at the time, he had the opportunity to reinvest in the same fund at a lower price if he was unhappy about having sold.

In addition, even if Mr S had made a loss that he couldn't avoid or mitigate, I wouldn't say the loss was a result of unfair or unreasonable treatment by Fidelity.

As a general proposition, a business is entitled – in the reasonable exercise of its legitimate commercial judgement – to run its affairs in the manner it chooses, so long as it's fair and reasonable. In this case I'm not persuaded Fidelity has acted unfairly or unreasonably by choosing to display information the way it did. I can understand Mr S wanted his book cost calculated differently, for the purpose of making investment decisions and calculating his potential tax liability in advance. But that doesn't mean Fidelity's figures were wrong, or that it was unfair or unreasonable for Fidelity to display information the way it did.

Regulations required Fidelity to give Mr S certain information such as confirmation of transactions in his accounts. Performance information wasn't part of that requirement. If Mr S needed particular figures or calculations it was up to him to produce them himself and possibly seek assistance from the fund provider or a tax adviser. Fidelity wasn't obligated to provide them for him. But Fidelity choses to provide some performance information. So it's important the information Fidelity provides is clear and not misleading.

I don't agree it was irrational for Fidelity's book cost calculations to include the value of shares purchased through reinvested dividends without including the dividends as a cost paid by Mr S. A dividend is a return based on the performance of the fund or other asset invested in. It's not generally considered a cost. So it's reasonable that when presenting book costs Fidelity chose not to include reinvested dividends as a cost born by Mr S in acquiring the investment. And although by allowing the dividend to be reinvested Mr S forwent the opportunity of receiving the dividend as cash, I can't say he contributed funds to the purchase of the shares in such a way that Fidelity ought reasonably to have recorded a cost to him.

If Fidelity didn't make clear how it had calculated the book cost it displayed on Mr S's account summary page then I might still agree it had misled him. But I think the information available there was accurate and sufficient. And I don't see that any of Fidelity's other tools or publications contradict that.

Overall, I can't conclude Fidelity gave Mr S inaccurate or misleading account information relating to the cost of his investments. Because of that I can't say Fidelity is responsible for the outcome of Mr S's decision to sell his holding. And I also didn't see that he made a loss that he couldn't reasonably have put right himself. So I won't be asking Fidelity to do anything on this occasion.

My final decision

For the reasons I've set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 May 2025.

Lucinda Puls
Ombudsman