

The complaint

Mr G says that, after initially being told that Hargreaves Lansdown Asset Management Limited (Hargreaves Lansdown) wouldn't charge him for holding cash in his self-invested personal pension (SIPP), he says he's now discovered that it does in fact make a charge. He says if he'd been told this when he originally transferred his plan he wouldn't have gone ahead. He would like those charges to be refunded.

What happened

In February 2022 Mr G transferred around £141,000 to new SIPP with Hargreaves Lansdown. The money was held entirely in a cash account. He says that due to a number of factors he was keen to ensure there were no charges applied to his funds and Hargreaves Lansdown assured him this was the case.

Mr G had previously raised a complaint about the service he received when he was considering purchasing an annuity through Hargreaves Lansdown. But during the course of that investigation Mr G became aware that Hargreaves Lansdown did in fact apply charges for maintaining his cash account – which he said contradicted the verbal and written information he was provided with when he started his plan. He said this was important to him when he agreed to start the plan and – despite what the terms and conditions might say – he accepted the verbal assurances given to him. He thought he was therefore entitled to a refund of the “fees” that he thought had been deducted from his account since inception.

Hargreaves Lansdown said it would address this complaint point of Mr G's separately as it was in the process of resolving his other complaint. It explained that it doesn't directly charge clients for holding cash within a drawdown plan but does receive interest earned on all pooled cash balances held in client bank accounts from the institutions it uses to hold this cash. It then separately pays interest on the cash held by clients at rates determined by the size of individual balances and the type of accounts in which the cash is held.

So it retains the amount of interest between what it receives for all of its cash balances and the rate that it then applies to individual accounts – which is set out in its terms and conditions. It said this was to help cover all of its costs in managing client money across all accounts.

Mr G didn't agree with the outcome and so brought his complaint to us. One of our investigators looked into the matter but didn't think the complaint should be upheld. They thought that Hargreaves Lansdown had been transparent in the way it received and paid interest on cash accounts and had also acted within its stated terms and conditions – so they didn't think it had acted unfairly or needed to refund any “charges” to Mr G.

Mr G didn't agree. He said:

- Although Hargreaves Lansdown has said its interest rate differential isn't a charge, he believed it was because it was a “*retention or deduction from what would otherwise have been paid for services rendered or to be rendered.*” He thought it wasn't relevant whether it was a hidden charge or not, or whether it was a model followed by others in the industry, but it was a charge that was nonetheless imposed.

- He didn't think we had addressed or considered the impact of the verbal and written representations from Hargreaves Lansdown to him which confirmed there was no charge for holding his cash in a SIPP cash account. He thought such a statement – which he believed to be factually incorrect – should take precedent over the written terms and conditions. He thought it should have been clear to Hargreaves Lansdown that he didn't want to pay any kind of charge whether they were explicit or implicit.
- He thought that at the very least Hargreaves Lansdown should have told him that there wasn't a direct charge but instead a lower rate of interest applied to reflect the service it provided. He thought Hargreaves Lansdown had misled him to his financial detriment.

He asked for his complaint to be referred to an ombudsman – so it's been passed to me to review.

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'm required to determine this complaint by reference to what I consider to be fair and reasonable in all the circumstances of the case. When considering what is fair and reasonable in the circumstances, I need to take account of relevant law and regulations, regulator's rules, guidance and standards, codes of practice (including the Consumer Duty) and, where appropriate, what I consider to have been good industry practice at the relevant time.

And having done so I've reached the same conclusion as the investigator. I imagine this outcome will disappoint Mr G, but I don't think Hargreaves Lansdown has done anything wrong – so I'll explain my reasons.

Mr G believes that, after he made it clear to Hargreaves Lansdown that he didn't wish to pay any charges on cash held in his SIPP account, Hargreaves Lansdown both verbally and in writing confirmed this to be the case and therefore he agreed to transfer on that basis. Hargreaves Lansdown on the other hand says it hasn't applied a charge but simply pays Mr G (and all the other policyholders) an interest rate reflective of the most competitive rate it can offer at any time. It says the rate of interest it receives on all of its pooled client money from other institutions cannot be simply passed on to clients because it has to meet the cost of managing the accounts and providing its services.

So in the first instance I've looked at whether Hargreaves Lansdown has set this all out in the literature that was available to Mr G at the time. The relevant terms and conditions, within a section titled "*interest on cash*" says, "*we do not charge a fee for holding cash or for cash transactions. Cash balances held in the Client Bank Accounts and SIPP Trustee Bank Accounts are expected to earn interest of between 0.5% below and 0.5% above the prevailing Bank of England base rate over the next 12 months. (HL) receives all interest earned on cash balances held in Client Bank Accounts and then separately pays interest to you on the cash you hold with us at rates determined by us. We retain the difference between the interest we receive and the interest we pay to you.*"

The rates we pay clients are determined by the nature of the account and how that account is typically used by our clients. Current rates and details of how we determine those rates can be found on the HL Website at www.hl.co.uk/charges-and-interest-rates and at www.hl.co.uk/about-us/cash. Please see section D2 for details of the interest you will receive on cash balances held in SIPP Trustee Bank Accounts."

So I think this information is clear in explaining that Hargreaves Lansdown receives interest on all the pooled client money it holds and then pays an interest rate to clients determined by it – and according to the size and type of cash account that is held. The terms and conditions also refer to Hargreaves Lansdown website for details of the current interest rates. I've looked carefully at the website which does set out current interest rates for cash held within the various products sold and managed by Hargreaves Lansdown.

It also goes on to explain that “we do not charge a fee for holding cash or for cash transactions. HL expects to receive interest of between 0.5% below and 0.5% above the prevailing Bank of England base rate over the next 12 months on cash balances held in the Client Bank Accounts and SIPP Trustee Bank Accounts. The rates we pay clients are determined by the nature of the account and how that account is typically used by our clients. For example, we pay our highest rates in Drawdown, which is often used to hold higher levels of cash for rainy-day money in retirement. HL retains the difference between the interest HL receives and the interest paid to you.”

I think this is also clear in its explanation, similar to the terms and conditions, but does confirm that Hargreaves Lansdown retains the difference between the interest it receives and what it pays to clients. This document also goes on to explain where the pooled client money is held and that it is segregated from its own funds in accordance with the regulator's rules and guidance. This position is also similarly reinforced in the Key Features document which again explains how Hargreaves Lansdown earns interest on its pooled client money and then pays its clients what it considers to be a competitive, fair, interest rate on their cash accounts.

So I don't think Hargreaves Lansdown has acted unfairly in this matter nor, based on the evidence that I've seen, has it failed to make Mr G fully aware of how its process works in respect of interest it receives and interest it pays, on cash accounts. There's nothing to support the claim that it hasn't been explicit in the way this all works.

But Mr G asserts that he received a letter from Hargreaves Lansdown confirming the transfer of his funds dated 24 February 2021, which said, *“further to your instruction to transfer cash from your xx SIPP to your HL SIPP account, we can confirm that your request has now been processed. Please note, there will be no ongoing charges for holding cash in your HL SIPP. We trust that the above is in order, in the meantime if you have any queries concerning your account please do not hesitate to contact us.”* He says this information was also confirmed to him during a subsequent conversation with Hargreaves Lansdown. So Mr G believes this supports the idea that he was told there would be no charges to his account and, even if this was contradicted by the information within the literature that was made available to him, the verbal and written information he received should be given greater weight in terms of his subsequent decision to transfer based on that knowledge.

Mr G is right to say the letter stated that *“there will be no ongoing charges for holding cash in your HL SIPP.”* Hargreaves Lansdown says this is factually correct as it doesn't impose a charge, so this matter could be argued as a question of definitions and interpretation. But, in my view, while there can be different interpretations of verbal information or even from a brief, individual confirmation letter such as the one Hargreaves Lansdown sent out, the written confirmation within its literature and technical guides is much clearer and unambiguous.

And while Mr G says the verbal statement (and letter) should take precedent, he would also have been issued or directed to the technical guides and terms and conditions available before transferring, which would have included the current interest rates at that time. So I think the written information is of more importance here and Mr G ought to have been alerted to any possible conflict or problem – which he could have then raised with Hargreaves

Lansdown at that time, if he didn't think it reflected what he understood to be definitive confirmation of there being no charges.

In summary Hargreaves Lansdown receives interest from institutions for holding all of its pooled client money, but it has costs and fees to pay in managing, administering, and servicing all of its client products and accounts. So it then pays a fair market interest rate to all cash holding customers depending on certain criteria – which from the research I've carried out I'm satisfied was a fair, competitive interest rate in the marketplace.

It isn't applying those costs or fees to the account but instead pays a variable rate of interest to its clients – which I think is a legitimate business decision it's entitled to make. I think Mr G was made aware of the rates at the time and was therefore entitled to make his choice based on the rates available in the market and whether Hargreaves Lansdown's was competitive – albeit like other comparative accounts the rate was variable and not fixed.

So I think Hargreaves Lansdown has acted fairly here and I don't think it misled Mr G about the interest rate it applied to his SIPP cash account or that it acted unreasonably in telling Mr G that there were *no ongoing charges for holding cash in his SIPP*.

My final decision

For the reasons that I've given I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 31 July 2025.

Keith Lawrence
Ombudsman