

The complaint

Mrs R's complaint against Hargreaves Lansdown Asset Management Limited (HLAM) concerns negative cash balances on her HL SIPP (self invested personal pension) Income Drawdown Account.

Mrs R is represented by her husband in bringing this complaint. However, for ease of reading, I've just referred below to what's been said on Mrs R's behalf as if she'd made those comments herself.

What happened

Mrs R's HL SIPP was set up in 2010 and her HL SIPP Income Drawdown Account was opened in 2015.

Mrs R complained to HLAM in February 2024. There was a negative cash balance of £2,363.03 on her HL SIPP Income Drawdown Account. She said she hadn't overspent in dealings or fund switches. She suggested it was due to an IT failure or mismanagement on HLAM's part. She said it had happened many times before and had been reported.

HLAM emailed its final response on 26 February 2024. HLAM didn't uphold the complaint. Amongst other things, HLAM said it wasn't the first time Mrs R's account had been overdrawn. She was aware there was a small period during the fund switch process, when the sell aspect had been completed and the proceeds updated to the account, before the purchase aspect is completed. During this window, despite already having provided an instruction to invest this money as part of the fund switch, Mrs R had invested the sale proceeds online, duplicating the purchase. HLAM said it was working to improve the process and was liaising with its IT teams but, in the meantime, it was up to Mrs R to manage her cash balance appropriately to avoid HLAM having to take action on her account.

HLAM did recognise it could've been more proactive in reaching out to Mrs R about her overdrawn balance although investment reports had been sent and she could view her outstanding balance online. HLAM apologised and offered £250 compensation. HLAM said the value of the HL SIPP Income Drawdown Account was inflated due to more cash than was available being invested and to remedy that HLAM said Mrs R could either let HLAM know which investments she'd like to sell to cover the negative balance or HLAM could sell a proportionate amount of her current holdings. I understand that HLAM took steps to correct the account and clear the negative balance.

There were some further exchanges but the matter wasn't resolved and Mrs R referred her complaint to us. On her complaint form she said that, since her Income Drawdown Account had been set up, there'd repeatedly been negative balances shown. Mrs R suggested it was due to a failure in HLAM's IT system which erroneously showed cash available to invest. HLAM hadn't rectified its IT system despite many complaints.

HLAM said that from 2011 to 2023 Mrs R and another family member had repeatedly overpurchased investments. Problems arose again in early 2024, leading to Mrs R's current complaint. HLAM said similar concerns had been referred to this service some five times.

HLAM said it had acted in accordance with its terms and conditions. Mrs R is an execution only client and is responsible for monitoring her own transactions. She'd been specifically advised on numerous occasions in 2024 that negative balances were being caused by overtrading between the sale aspect of a fund switch, prior to the buy being completed. Because of the persistent nature of the issue, HLAM's Accounts Team review Mrs R's account on a regular basis and reverse any trades if they result in an overdrawn balance. But it remains Mrs R's responsibility to manage her account appropriately, including not investing more than she has available.

The investigator didn't uphold the complaint. She referred to the explanation HLAM had given about duplicating the purchase which meant Mrs R had invested the same funds twice. HLAM had been taking corrective action by selling a portion of Mrs R's holdings to cover the overdrawn balance. HLAM did recognise they could have been more proactive in reaching out to Mrs R regarding her overdrawn balance. In light of this, they offered her £250 compensation. The investigator thought that was reasonable and that HLAM didn't need to do anymore.

Mrs R didn't agree. She said she'd been made responsible for HLAM's shortcomings. HLAM had a problem with their IT systems which she'd pointed out repeatedly for years. HLAM weren't prepared to accept there was a problem or rectify it. HLAM's IT system repeatedly shows wrong amounts as 'cash available to invest'. The customer shouldn't have to suffer for HLAM's mistakes over years. The offer of compensation was disproportionate to the portfolio held. Other members of the family had suffered similar errors. The long running nature of the error and HLAM not being prepared to accept and rectify its mistakes warranted higher compensation and a penalty for HLAM.

The investigator explained that we don't fine or punish businesses. Rather we'd consider if HLAM had acted fairly and if not whether the compensation offered was fair.

As agreement couldn't be reached the complaint was referred 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.

I think the conclusions reached by the investigator were reasonable. I don't have much to add to what's been said already.

I don't think HLAM acted in contravention of the terms and conditions. These are detailed but I'd highlight the following extracts from HL Service Terms and Conditions:

A11 – general information about dealing

'An investment will not normally be made where the purchase price and dealing costs exceed the monies in your Account. For investment instructions given with a cheque, we will wait for the cheque to clear before placing these instructions. If an investment is made for which insufficient cash is available, we may sell or remove excess investments at our discretion.'

A21 – outstanding fees and unpaid debts

'If you owe us money which we cannot collect in accordance with your fee collection preferences or from the Account on which the charge accrued, we may transfer money and/or assets between your Accounts, including any amounts which arise as a result of your

use of any other services we are providing to you, to pay the debt. We have the absolute right of sale of investments in your Account ... to meet amounts you owe to us.'

That provision goes on to set out, amongst other things, which investments (the largest available fund holding) will be sold, that the customer will continue to be responsible for an outstanding balance due after investment have been sold and that where an investment is sold that may result in a gain or loss for the customer and that HLAM isn't responsible for any losses or tax liabilities which may arise.

D6 – outstanding monies (and which applies if an HL SIPP is held, as Mrs R does)

Where outstanding monies you owe us exceed the cash available in your Account, we may sell assets in your SIPP in accordance with section A21.

HLAM is providing an execution only service to Mrs R and, as HLAM has explained and consistent with the terms and conditions of the account, it's her responsibility to ensure there are sufficient funds to in her account to make the purchase and bearing in mind the switch instruction already given. And if there isn't and the (further) purchase instruction is carried out and results in a negative balance, HLAM is entitled to sell investments to make up the shortfall. Which is what's happened here. I don't think Mrs R has suffered any financial loss. And I note that HLAM offered her the option of selecting which investments should be sold.

That said, I recognise that the situation isn't ideal. I can see there's potential for Mrs R's account to become overdrawn, particularly if she places frequent trades. But where there's an instruction to switch – sell and buy – investments, the transaction isn't instantaneous – the sale has to take place first, to allow the purchase of the new investment. That results in a small window where it's possible to use that money again by giving further investment instructions. When both purchases are completed, that will result in a negative balance. I think, going forwards, Mrs R has to be mindful of the issue and the need to take care that there's no duplication of investment purchase instructions and using the same funds twice.

I do understand how frustrating this is for Mrs R, especially given that the problem has been happening for a long time. And she's suggested changes to HLAM's IT system which would show that the money (the sale proceeds) wasn't actually available for investment as the purchase element of the switch was pending. And there's some indication that HLAM may be taking steps towards that, although system changes take time. But I'm unable to tell a business what procedures, systems and processes it should have in place. Those sorts of operational decisions are for the business concerned. So I'm unable to compel HLAM to look further into the issue and see if it can identify a way in which the problem can be overcome and implement IT changes.

As I've noted, HLAM has paid Mrs R £250 as compensation for the distress and inconvenience caused. I know she considers that inadequate – she suggested to HLAM that £750 would be an appropriate amount. But £250 is in line with what I'd expect in a situation such as this.

I accept Mrs R has suffered distress and inconvenience. But I bear in mind that the problem had arisen several times before and so what happened in early 2024 wouldn't have come completely as a shock to Mrs R. I think she takes the opposite view – that the fact the problem had persisted made things worse. But she'd been given an explanation as to why the negative balances keep arising and that she needed to be careful when switching funds so that she wasn't using the same money twice. Although I recognise the fact that the problem persisted was frustrating, I think the impact would've been lessened as Mrs R would've known what the issue was and how it had arisen. In the circumstances I'm not going to say that HLAM needs to do anything more or pay further compensation.

My final decision

Hargreaves Lansdown Asset Management Limited has already made an offer of £250 to settle this complaint, which sum I understand has already been paid to Mrs R.

I think that's fair and reasonable in the circumstances of this complaint. So I don't think Hargreaves Lansdown Asset Management Limited needs to do anymore to settle the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 5 August 2025.

Lesley Stead
Ombudsman