

The complaint

Mrs M has complained that Hargreaves Lansdown Asset Management Limited (HLAM) processed a payment from her Self-Invested Personal Pension (SIPP) incorrectly.

A one-off payment was processed as a regular payment. As such Mrs M's tax code was altered and the tax deducted from her employment income was increased. Whilst this has since been corrected, the increased tax taken in May 2024 remains with HMRC at this time, leaving Mrs M financially disadvantaged.

What happened

I would like to note here that there have been numerous points of contact between Mrs M and HLAM regarding this issue. The below summary does not include detail on all these conversations, as only those considered key in reaching a fair and reasonable outcome have been included. I would however like to reassure both parties that all the evidence and commentary provided has been fully considered in reaching this outcome.

Mrs M began the process of making a £9,000 withdrawal from her SIPP on 5 April 2024 using HLAMs online system, with a call to HLAMs helpdesk the same day.

On 24 April 2024 HLAM issued Mrs M confirmation of the payment to be made.

Following receipt of this Mrs M contacted HLAM on 26 April 2024 to confirm that the payment should be an ad-hoc payment and not a regular monthly withdrawal.

The payment was subsequently processed as a regular payment and taxed accordingly. This also resulted in Mrs M's tax code being changed, with her employment income then being taxed at a higher rate.

On 9 May 2024 Mrs M registered her complaint with HLAM.

On 15 May 2024, HLAM wrote to HMRC to inform them the payment had been made incorrectly and should be considered a one-off payment.

On 30 May 2024 there was a conversation between Mrs M and HLAM where it was confirmed her tax code had been corrected.

HLAM offered £250 to cover the distress and inconvenience caused by the issue in an attempt to resolve the complaint.

Whilst Mrs M's tax code had now been corrected, HMRC subsequently explained that any overpaid tax (from Mrs M's employment income) would not be returned until the end of the tax year (April 2025). As such Mrs M contacted HLAM again in June 2024 to confirm she did not consider her complaint resolved.

On 8 July 2024 HLAM wrote to Mrs M to explain that any overpayment of tax would have to be reclaimed from HMRC directly.

HLAM wrote to Mrs M again on 31 July 2024. This explained that HLAM did not now believe they had made an error in the processing of Mrs M's withdrawal (as they had previously stated), and that HLAM now believed they had reported the withdrawal correctly and as per the instruction they had received. As such, whilst they appreciated Mrs M's frustration at the deduction of additional tax, this was not something they could cover or refund, with Mrs M having the option of claiming a tax rebate directly from HMRC.

Unhappy with HLAM's response, Mrs M referred her complaint to this service in July 2024.

Whilst the complaint was being investigated, HLAM offered Mrs M an additional £250 to resolve her complaint. Whilst HLAM still believed they had processed Mrs M's transaction correctly, as per their process and based on the information they had at that time, they had concluded the service they had provided during this time in dealing with Mrs M's complaint was not at the level they aimed to offer.

Our investigator explained that based on the chain of events in this case they considered this offer reasonable, however Mrs M did not agree and requested an additional £500 to resolve her complaint.

As no agreement could be reached, 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.

Firstly, I am pleased to note that Mrs M has confirmed she has received a repayment from HMRC in respect of the overpaid tax on the £9,000 lump sum. As such this decision has focussed solely on the change to Mrs M's tax code and the subsequent increased income tax deduction taken from her employment income in May 2024.

It seems reasonably clear to me that Mrs M wanted the £9,000 withdrawal to be a one-off payment. The value of the SIPP in April 2024 was around £40,000 and as such it seems unlikely that Mrs M wanted a regular £9,000 withdrawal from a fund that could not sustain such a payment for very long.

Unfortunately, it is not clear from the evidence available what was said between Mrs M and HLAM on 5 April 2024. The call notes available do not clarify what was discussed about the nature of the withdrawal being requested.

As such, I cannot be certain whether Mrs M was clear in her request for the payment to be a one off payment with HLAM making an error in processing, or whether the request for the payment to be a one off transaction was not made sufficiently clear until Mrs M's call with HLAM on 26 April 2024 (by which time it was too late for such a change to be made to the transaction). This issue was further complicated by the fact that HLAM have at times accepted an error was made, then upon further investigation, changing this stance to then state that the withdrawal was in fact processed correctly.

What is clear is that the payment was ultimately processed as a regular payment and that this caused a change to Mrs M's tax code, resulting in an increase to the tax deducted from Mrs M's May 2024 employment income of around £900.

In any case where I decide a business has made an error, my aim is to return the consumer as closely as possible to the position they would most likely now be in had that error not been made.

In this case, even if I were to conclude HLAM did make an error in the processing of Mrs M's payment, I don't believe HLAM would need to make a further offer to rectify the error.

Mrs M retains the ability to reclaim any overpayment of tax from HMRC and as such even if I were to conclude HLAM were at fault, the only losses which I would need to consider relate to the distress and inconvenience the issue caused, and the fact that Mrs M would have been deprived of around £900 of her money for around 12 months by the time any rebate is received from HMRC. It would not be reasonable to require HLAM to cover the amount of the additional tax deducted, as this would then leave Mrs M with this payment, the amount already offered to cover the distress and inconvenience caused, and still with the ability to reclaim any overpaid tax from HMRC.

As such, I have reached the same conclusion as our investigator and decided that no further action is required from HLAM.

Even if HLAM have made an error, I believe the total payment of £500 they have offered Mrs M is sufficient to cover the fact that Mrs M will have been without around £900 of her money for approximately a year, and the distress and inconvenience this issue has caused.

This service does have the ability to require a business to perform a redress calculation to establish the hypothetical cost to a consumer of being deprived of access to their capital, however, the offer made by HLAM in this case already exceeds what such a calculation would require of HLAM in this case.

I therefore do not require any further action from HLAM other than to ensure that if not already sent, the full £500 is paid to Mrs M upon confirmation this decision has been accepted.

My final decision

In line with the above, I do not require any further action from Hargreaves Lansdown Asset Management Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 27 March 2025.

John Rogowski
Ombudsman