

The complaint

Miss H has complained that Hargreaves Lansdown Asset Management Limited (HLAM) did not make her aware that when taking a lump sum from her pension she would incur a tax charge from His Majesty's Revenue and Customs (HMRC), causing her a financial loss. She would like to be reimbursed for this charge.

Miss H is also unhappy about the quality of the service she was provided and believes that the compensation HLAM has offered in respect of this is inadequate.

What happened

I have reviewed all the evidence provided by both parties. I have not reproduced all of this in this decision but concentrated on what I believe to be the most relevant parts.

On 25 November 2024, Miss H contacted HLAM to discuss taking her pension benefits. HLAM responded to this message the next day, 26 November 2024. It sent her information relating to the ways in which she could withdraw some or all of her pension benefits.

Under the heading *TAX-FREE CASH* this message included the information that:

.....If you have a defined contribution pension (like a self-invested personal pension), up to 25% can normally be paid to you completely tax-free. You can receive your tax-free cash as one single payment, or in stages - it depends on what you decide to do with the rest of your pension.

It also included a link to a guide entitled *How to Take Money from your Pension*.

Miss H called HLAM on 28 November 2024 to confirm that she wanted to discuss her options for taking a £5,000 lump sum. After some discussion, she decided to take a partial Small Pots Payment.

HLAM sent Miss H an email to confirm her choice and a Small Pots application form. Miss H called again on 2 December 2024 to ask that the application forms be sent in the post as she did not have access to a printer, a request that HLAM agreed to. The forms were sent to Miss H the same day.

Miss H contacted HLAM again on 3 December 2024 to ask if she could email a copy of her proof of age documents. HLAM responded on 4 December 2024 to confirm that she could and gave her the email address to use.

HLAM received the completed form from Miss H on 6 December 2024. The form, however, was not completed correctly as it transpired that it was not the correct form for the type of withdrawal Miss H wanted to make.

Miss H called HLAM again on 10 December 2024 chasing the application and asked for the correct form to be sent to her, which HLAM did the same day. Miss H completed and returned the form the next day, 11 December 2024. Miss H contacted HLAM again to

confirm receipt of the form and ask for an update on progress. HLAM replied the same day to confirm it had received the application and that it was being treated as a priority.

HLAM made the payment to Miss H on 13 December 2024, deducting c£750 in respect of income tax due and c£16 in respect of outstanding management charges on her account. Miss H called HLAM on 17 December 2024 to query the tax payment and to raise a complaint.

HLAM responded to Miss H's complaint on 30 December 2025. It upheld her complaint points relating to initially sending her the wrong form and for not explaining that the outstanding management fees on her account would be deducted from the withdrawal payment. It offered her £100 compensation in respect of these errors.

It did not, however, uphold her complaint points about the tax deduction. It confirmed that the payment had been made within the ten day target it set for such payments to be made after an application form is received.

Miss H emailed HLAM again on 3 January 2025 to query the response and stating that she had received a letter for HMRC which indicated that she had underpaid tax on the withdrawal.

HLAM responded on 6 January to say that

When taking a taxable income payment from your pension, we deduct tax in accordance with the tax-code provided to us by HMRC. When issuing a Small Pots payment, this is typically the BR [basic rate] tax-code.

However, we are not tax-specialists and would not be able to calculate how much tax you should be due to pay on the payment. We only deduct the amount provided to us by HMRC at the point it is ran through Payroll. If HMRC believes you have underpaid tax on this withdrawal you would need to contact them directly to clarify this.

Unhappy with this response, Miss H brought her complaint to this service.

Our investigator reviewed all the evidence from both Miss H and HLAM. They formed the view that the tax charge should not be reimbursed and that the £100 compensation HLAM had paid Miss H was appropriate in the circumstances of this complaint.

Miss H remained unhappy and so the complaint has been passed to me to make 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.

Having done so, I have reached the same conclusion as our Investigator and uphold Miss H's complaint. I also agree that the £100 HLAM has paid Miss H is mean that it should pay Miss H £100 in respect of the distress and inconvenience its errors caused her.

I will explain now how I have reached my conclusions.

I also think it's important to reflect upon the role of this Service. Our role is to impartially review the circumstances of a complaint and make a decision on whether a business has made errors or treated a customer unfairly. Where it has, we expect a business to fairly

compensate a customer for any financial loss and distress and inconvenience they have suffered a result.

Having said this, I can fully appreciate that Miss H has consistently said that she had little knowledge of how her pension with HLAM works in practice and that she found the experience of taking some of her benefits to be confusing, which was clearly not helped by the mistakes that HLAM made.

There are two clear elements to this complaint – the first relating to the tax charge that Miss H incurred when accessing her benefits and the second being the concerns she had about the service she received. I shall consider each in turn.

Taking the tax issue first, I have looked at I can see that on 28 November 2025 Miss H called HLAM to discuss her options for taking a lump sum from her pension. During this call, the call handler explained that up to 25% of the sum could be taken as tax free cash, with the remainder subject to income tax. Miss H enquired as to what the rate of tax would be and was told tax at the basic income tax rate of 20% apply to the option she chose.

I have also reviewed the application forms that Miss H completed and returned to HLAM. In section B of the form it asked the question:

*Pension withdrawals are subject to income tax. 25% of each lump sum will normally be paid tax free the rest as taxed income. The taxable portion of your withdrawal will be added to any other income you receive in that tax year, which could push you into a higher tax bracket (especially if you are still working). **Do you understand the tax treatment of income withdrawals?***

Miss H ticked the box marked 'Yes' next to this question.

From this, I find it fair and reasonable to conclude that HLAM had made Miss H aware of the tax treatment of her chosen pension withdrawal option and so do not uphold this part of her complaint.

Moving on now to the application process, I can see that HLAM has acknowledged and apologised for some poor service it provided Miss H.

There are a number of parts to Miss H's complaint about the service HLAM provided. The first of these is that she felt that she was '*passed around*' between staff when she called on the telephone. HLAM explained that there are separate enquiry numbers for personal and workplace pensions. As Miss H's policy was a workplace pension, her queries needed to be handled by staff in the appropriate department.

The second element of her complaint was dissatisfaction that HLAM required physically signed documents to proceed with her withdrawal.

I can't uphold either of these elements of Miss H's complaint. This service cannot comment on how HLAM - or any other provider – chooses to operate its business. While I appreciate that these elements of the service may have caused some frustration, I can't say that HLAM has done anything wrong here.

Where HLAM did make errors were in initially sending the wrong form to Miss H for the type of withdrawal she wanted to make. HLAM explained in its response to Miss H's complaint, however, that its standard service level for processing a withdrawal application is ten working days. As HLAM prioritised Miss H's payment – paying it on 13 December – I do not

find that this error caused a delay to Miss H receiving her payment and so can't see that she suffered any financial loss because of this mistake.

Miss H also complained that outstanding management fees were deducted from the payment which reduced the amount payable. HLAM has agreed that it should have told her this before deducting the fees.

In recognition of both these mistakes, To recognise both of these errors, HLAM offered Miss H £100 in respect of the distress and inconvenience she was caused. In conclusion, while I fully appreciate that an award of £100 in regard to Miss H's distress and inconvenience is less than she is seeking, I find that it is appropriate in the circumstances of this complaint and in line with the guidelines published by this service to ensure consistency.

Putting things right

In order to fairly compensate Miss H, HLAM should pay her £100 in respect of the distress and inconvenience its mistakes caused her.

My final decision

For the reasons given above, I uphold Miss H's complaint.

Hargreaves Lansdown Asset Management Limited should pay Miss H £100 to resolve this complaint if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 23 September 2025.

Bill Catchpole
Ombudsman