

The complaint

Mrs B complains that Hargreaves Lansdown Asset Management Limited (Hargreaves) restricted her account while it carried out a review.

What happened

Mrs B had an account with Hargreaves. In October 2023, Hargreaves reviewed the account and asked Mrs B to explain where her funds came from. Mrs B provided some information. Hargreaves then requested further information about the source of her wealth more generally.

Over the months that followed there was some back and forth contact between Mrs B and the business. In summary, Hargreaves says it needs to understand the source of Mrs B's wealth – and that as Mrs B had not provided this information it then imposed restrictions on the account. Mrs B says Hargreaves never explained what it needed – and that each time she asked for clarification she was given a different explanation. Dissatisfied, Mrs B complained to Hargreaves who referred the complaint to us.

Hargreaves says it was acting in line with its legal obligations in restricting the account and requesting information from Mrs B. But it accepts it could have handled things better. It offered £500 to reflect failings in its service. Our investigator looked at this and thought this was a fair resolution of the complaint.

Mrs B doesn't agree. The complaint has been 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.

As a regulated financial business, Hargreaves is required by law to understand how its customers fund their accounts. The 2017 Money Laundering Regulations (as amended) means Hargreaves is required to understand the source of its customers' funds and, where relevant, the source of wealth, and to apply ongoing monitoring to ensure transactions are consistent with what it knows about its customer.

This is not a box-ticking exercise. To comply with these regulations, it's not enough for Hargreaves to show that it followed a specific procedure or asked for a specific list of documents. The regulations are deliberately flexible. They require businesses to design their own policies, processes and controls to manage the risk of money laundering and terrorist financing. The checks they carry out will depend on their own assessment of risk and what they know about their business and their customers. Where a business cannot complete these due diligence measures, it won't be able to carry out a customers' instructions and may be required by law to close an account.

I've thought about what this means for Mrs B's complaint.

In Mrs B's case, Hargreaves asked Mrs B for information about the source of the funds she was paying into the account. It then asked Mrs B for further information about the source of her wealth more generally. Based on what I've seen, I'm satisfied Hargreaves's regulatory obligations required it to understand the source of Mrs B's funds and wealth – and I'm satisfied that it was acting in line with these obligations when it asked Mrs B to provide additional information to help it do this.

Mrs B thinks it's unclear what information Hargreaves needs. And I accept that Hargreaves could have been clearer at first about what it needed. In particular, I note that on some occasions it just repeated previous requests for information without explaining why the information Mrs B had already provided wasn't sufficient.

But Hargreaves then gave Mrs B the opportunity to provide a detailed explanation of how her portfolio was funded. It said that if she gave them a detailed explanation, it could then review this and decide if this was satisfactory or if additional information would be needed. I appreciate Mrs B wants Hargreaves to set out in advance what information would be acceptable. But as I've already explained, the regulations don't set out a prescriptive list or specification for the information firms must ask for. The focus of the regulations is not on asking for specific documents, but on whether the business actually understands the source of the customer's wealth. When Mrs B objected to providing this information, it meant that Hargreaves could not comply with this legal obligation.

I acknowledge that the information Hargreaves has asked for includes information going back a number of years. But as I've already said, its obligation under the regulations are ongoing – and so the fact that these funds were paid into the account some time ago doesn't prevent Hargreaves later needing to ask questions about them.

I recognise Mrs B wants to know more. She's asked for further details about the risk assessment conducted by Hargreaves and the basis on which it concluded it needed to review her account. But I am satisfied these are routine checks which Hargreaves are required to carry out as part of its legal obligations – and Hargreaves doesn't have to share its internal policies with Mrs B.

Hargreaves has offered to pay £500 to reflect the impact of poor service it said Mrs B received. Looking at everything, I'm satisfied this would be a fair outcome to Mrs B's complaint. I recognise that Hargreaves offered this amount at an early stage, and that things have evolved since then. But where I make an award for distress or inconvenience this isn't to punish the business but to reflect the impact of the business's actions. Looking at everything, I accept that Hargreaves made some mistakes. But that doesn't change its obligation to understand where Mrs B's money came from. Once Hargreaves explained that it would accept a written explanation – and that it could follow this up with further requests for information if needed – there was no reason why Mrs B couldn't have just done this. With this in mind, I don't make a further award.

My final decision

My final decision is the £500 Hargreaves Lansdown Asset Management Limited has offered is fair. I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 2 October 2025.

Rebecca Hardman
Ombudsman