

The complaint

Ms S complains that Hargreaves Lansdown Asset Management Limited (“HLAM”) encashed some pension savings she held with the firm without her permission.

What happened

Ms S held pension savings with HLAM. In December 2023 she transferred the majority of her pension savings to another provider in order to purchase an annuity. She left a small cash balance with HLAM. And her pension plan also held a small investment in a fund that had been suspended.

In March 2024 Ms S’ pension plan received a final distribution in relation to the suspended investment fund. And in May 2025 Ms S called HLAM to discuss taking the remaining income from her pension savings. HLAM explained to Ms S that, since her pension plan had been largely closed in 2023, it no longer held a tax code for her. It told her that it would need to tax any income payment using an emergency tax code. Or it suggested to Ms S that she could just request an income payment of £1 that would then trigger HMRC to issue a new tax code to HLAM before her remaining income be paid. HLAM paid Ms S £50 for any inconvenience she’d been caused.

Ms S discussed her situation with HMRC. It issued her with a letter showing a new tax code that HLAM could use. The letter went on to confirm that HLAM had requested the tax code so that Ms S could close her account with the firm. Ms S sent the letter on to HLAM for its information.

On receipt of the letter HLAM concluded that it provided Ms S’ authority for the residual balance to be paid to her and the account closed. It made the income payment to Ms S after the deduction of income tax. Ms S complained to HLAM that she hadn’t requested the payment to be made.

HLAM explained to Ms S that it thought it had deducted the correct amount of income tax from her payment. But HLAM accepted that it didn’t have Ms S’ agreement to make the payment – it shouldn’t have acted on the text in the letter from HMRC. So it told Ms S that it could reverse the payment if she returned the income to HLAM. And it offered Ms S £150 for the inconvenience she’d been caused. Unhappy with that response Ms S brought her complaint to us.

Ms S’ complaint has been assessed by one of our investigators. She thought that HLAM had been wrong to make the payment without a clear instruction from Ms S. But the investigator thought that what HLAM had proposed to put things right was fair and reasonable and in line with what she would have recommended. So the investigator didn’t think HLAM needed to do anything more than it had already offered.

Ms S didn’t agree with that assessment. So, as the complaint hasn’t been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Ms S accepts my decision it is legally binding on both parties.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Ms S and by HLAM. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words, I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead, this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

I haven't found much fault in Ms S' early interactions with HLAM. When she transferred her pension savings in 2023 in order to purchase an annuity it seems a small balance was left behind – most likely because of income received by her pension plan after the transfer had taken place. And her plan also held a suspended investment that provided a small final distribution in 2024.

So, by the time Ms S spoke with HLAM in 2025, her pension plan held a balance of around £935. But I think HLAM was correct to tell Ms S that, since it no longer held a valid tax code for her, any income payment it made would be taxed using an emergency tax code. That wouldn't mean Ms S would pay more tax overall – but it would mean that she would most likely need to reclaim some of the tax that was deducted from HMRC.

HLAM proposed an alternative approach to Ms S – it suggested that she request an income payment of just £1 and that would then trigger HMRC to issue a new tax code that could be used against the full income payment to close the account. I think, following its discussions with Ms S, that was the approach HLAM expected her to take. At this point I should note that HLAM only offered Ms S an administrative service – it didn't provide her with advice or recommendations about her pension savings. So it was up to Ms S to decide what approach she wanted to take and provide HLAM with her instructions in due course.

But Ms S decided to take a different approach. Instead she contacted HMRC to request a new tax code be provided to HLAM. HMRC confirmed the tax code in a letter that it sent to Ms S. And Ms S sent a copy of that letter onto HLAM.

HLAM agrees that it didn't deal with the letter Ms S had sent correctly. The letter from HMRC said the following;

'As requested on our telephone call, I am writing to you today to confirm your tax code as needed as evidence to:

Hargreaves Lansdown

...

Whom have requested this so you can close your account with them.

HLAM says that it incorrectly took that letter as Ms S' authority for her account to be closed and the balance paid to her as a taxable income payment. The net payment was sent to

Ms S on 10 June. After Ms S' complaint HLAM agreed that she could return the payment she had received and it would recredit her pension plan. To date Ms S hasn't taken up that offer.

I think the offer HLAM has made to Ms S is fair and reasonable. It is clear that it didn't have any authority for the payment to be made. But the offer it has made would put Ms S back into the same position she would have been had nothing gone wrong. Her pension plan would again have the residual balance and Ms S could choose what to do with those funds. So, I think that offer should remain open to Ms S for a period of time if she accepts this final decision.

Ms S has been caused some inconvenience by HLAM. Ultimately, I think it might be argued that she has reached the point she intended to be in when she first spoke to the firm in May 2025. The residual balance in her pension plan has been paid to her and taxed in accordance with a current tax code issued by HMRC. But it no doubt came as a surprise to Ms S to receive that payment without her having authorised it to be made.

HLAM has offered Ms S £150 for the inconvenience she was caused by the erroneous payment. I've thought carefully about that offer and considered it in the light of awards I would expect to make in circumstances such as these. Having done so I think HLAM's offer is fair and reasonable. So, I will now direct that compensation to be paid.

I appreciate that Ms S would like this decision to direct some form of punishment for HLAM's actions. She understandably feels very strongly that HLAM should not have closed her account without her agreement – and I agree. But I am satisfied that the actions I am directing below are an appropriate way to resolve this complaint and will place Ms S back into the position she would have been should nothing have gone wrong. It is not in the remit of this complaints process to direct any punitive actions against HLAM.

Putting things right

HLAM made a payment from Ms S' pension account without her authority. It is appropriate, if Ms S agrees, that this payment should be reversed. So, if Ms S accepts this final decision, she should, at the same time, notify us whether she wants the payment to be reversed. Should that be the case I direct HLAM to do the following;

- Contact Ms S to provide her with payment reference details for the return of the net income payment she received.
- Notify HMRC that the payment has been reversed so that any income tax liability is expunged.
- Return the entire gross payment amount to Ms S' pension account, or should that account be irreversibly closed, to an equivalent pension arrangement in her name.

Regardless of whether Ms S decides to return the payment, HLAM's actions have caused her some distress and inconvenience. So HLAM should pay £150 to Ms S as compensation in that regard.

My final decision

My final decision is that I uphold Ms S' complaint and direct Hargreaves Lansdown Asset Management Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 4 March 2026.

Paul Reilly
Ombudsman