

## **The complaint**

Mr L complains that Hargreaves Lansdown Asset Management Limited (“HLAM”) made a mistake when it acted on his instructions to transfer the cash held in his stocks and shares ISA to a cash ISA with another provider. He says HLAM sold his shares and transferred the whole balance, rather than transferring just the cash.

## **What happened**

I set out the background to this complaint in my provisional decision dated 27 October. In summary, I explained that Mr L suffers from dementia. But that, as long as things are clearly explained, he is able to continue managing his finances. HLAM was made aware of Mr L’s dementia diagnosis in 2022.

In April 2024, Mr L opened a fixed rate cash ISA with Lloyds. He phoned HLAM to check the cash balance in his ISA and told it that he was planning to transfer the cash to his new ISA with Lloyds. But the following day HLAM received a transfer instruction form to close his ISA and transfer the balance. HLAM acted on these instructions, sold Mr L’s investments, and the transfer was completed. This meant around £832,000 was transferred, rather than the £145,000 Mr L intended.

Mr L phoned HLAM to tell it what had happened and that it wasn’t what he wanted. HLAM didn’t take any action following this phone call and in October Mr L complained.

HLAM said that during the phone call on 15 April, Mr L mentioned he was considering making a partial transfer, but this wasn’t an instruction. It apologised for not following matters up after his phone call at the end of April and offered to pay him £100 by way of an apology.

Mr L referred his complaint to us as he thought HLAM should’ve checked the instructions before it sold his shares, particularly considering the value involved.

Our investigator thought HLAM should have done more to check with Mr L before it went ahead with the ISA transfer. But he didn’t think it would be fair to ask HLAM to compensate Mr L for any loss because Mr L hadn’t done anything to try to mitigate his loss. The investigator recommended HLAM should pay Mr L £250, in addition to the £100 already offered, to compensate him for the distress caused.

Mr L didn’t agree with our investigator, so the complaint was passed to me.

## *My provisional decision*

I firstly set out some of the rules and regulations which I considered to be relevant to this complaint. I said:

Those relevant rules include the Financial Conduct Authority’s (“FCA”) guidance on the fair treatment of vulnerable customers. This sets out expectations of firms and how they should treat vulnerable customers who may have different service needs. In circumstances involving customers with different needs, firms should provide their

customers with a level of care that is appropriate given the individual characteristics of the customers themselves. The guidance also explains that building flexibility and altering customer service processes should be considered to help vulnerable customers with individual needs.

I've also considered The Consumer Duty in this complaint. The Duty is a relatively new standard introduced by the Financial Conduct Authority. It sets higher and clearer standards of consumer protection across financial services and requires businesses to put their customers' needs first.

It includes new rules for firms to follow and four areas where firms must apply the Consumer Duty. These four areas are:

- Consumer understanding
- Consumer support
- Products and services
- Price and value

As this complaint is about what happened in April 2024, The Consumer Duty is something

I need to consider when deciding what is a fair and reasonable outcome. In particular:

Under the area of Consumer support, PRIN 2A.2.14R says that:

*“A firm must enable and support retail customers to pursue their financial objectives.”*

And that:

*“Enabling and supporting retail customers to pursue their financial objectives includes acting to empower retail customers to make good choices in their interests, including by.....*

*(4) taking account of retail customers' behavioural biases and the impact of characteristics of vulnerability in all aspects of customer interaction.” (PRIN 2A.2.20)*

And, under the area of Consumer Understanding, PRIN 2A.5.9 says:

*When a firm is interacting directly with a retail customer on a one-to-one basis, such as in branch, during a telephone conversation or other interactive dialogue, the firm must, where appropriate:*

- (1) tailor the communication to meet the information needs of that retail customer, taking into account whether they have characteristics of vulnerability; and*
- (2) ask the retail customer they understand the information and if they have any further questions, particularly if the information is reasonably regarded as key information, such as where it prompts that retail customer to make a decision.*

Finally, PRIN 2A.6.2 says that a firm should deliver support to customers such that it:

*“(3) ensures that it includes appropriate friction in its customer journeys to mitigate the risk of harm ...”*

I then explained why I thought the complaint should be upheld. I said:

Mr L's condition does make things difficult for him, and he sometimes needs help. But I think his intentions here were very clear and consistent - he only wanted to transfer the cash element of his stocks and shares ISA. I say that because:

- He phoned HLAM to check the cash balance and was clear that he was going to give instructions to transfer that cash to Lloyds.
- When he phoned Lloyds to open the cash ISA account, he was clear that he wanted to transfer the cash held in his stocks and shares ISA - £145,000.
- During both calls he talked about why he'd decided to do that and what he intended to use that money for in the future. This suggests Mr L had thought carefully about what he wanted to achieve and why.
- As soon as he saw his shareholdings had been sold and the proceeds transferred, he knew that wasn't what he wanted. He phoned HLAM to express his shock that "*the whole lot's gone*"; and he phoned Lloyds to say that he had only wanted to transfer £145,000.

HLAM received an instruction form to close Mr L's current ISA and transfer all the balance. And the form had been signed by Mr L.

But HLAM was aware of Mr L's intention – from the phone call the day before; and it was aware of his vulnerability. So armed with that knowledge, and taking into account the FCA rules and guidance outlined above, I think HLAM should have handled the transfer request differently. This could, most likely, have stopped the sale and transfer of Mr L's investments.

HLAM told us that all such instructions are double checked and that, in the case of a high value transfer, such as this one, a third check takes place. And I appreciate HLAM did write to Mr L on 19 April to acknowledge his instruction and to confirm his shares were being sold. And Mr L received this letter because he mentioned it during his 29 April phone call.

But HLAM had acted in line with its standard procedures. It knew Mr L was elderly and had dementia and I don't think it was reasonable for HLAM to think a standard type letter would have had the same impact, or risk mitigation, for Mr L as it would have for other consumers. If HLAM had thought about Mr L's individual needs, I think it would have done more to check the instructions were correct before carrying them out. Had it done so, I think it would have realised the instructions it had received were wrong, and didn't reflect what Mr L actually wanted to do.

So I think Mr L should be put back in the position he'd be in now if a mistake hadn't been made.

And I set out what I thought HLAM needed to do to put Mr L back in the position he'd be in now if the ISA transfer had been completed correctly and only £145,000 cash had been transferred. I explained that, in thinking about fair compensation, I took into account that:

- When something goes wrong, we expect consumers to take steps to try to mitigate any loss. But in Mr L's case, because of the difficulties caused by his dementia, he didn't know what to do. Whilst Lloyds had offered to transfer the excess amount back, at no cost, Mr L knew this wouldn't put him back in the position that he had been in. And, without the required help, he wasn't able to understand what he

needed to do to resolve things. Indeed, he'd told HLAM that one of the reasons he'd built up so much cash was that he wasn't really up to making reinvestment decisions anymore. So I think it was fair for him to wait for this service to resolve his complaint.

- Mr L has also complained to Lloyds about the transfer, and he also referred that complaint to us. I am considering what Lloyds did wrong. I don't think it would be fair to hold HLAM solely responsible for the position in which Mr L now finds himself. If Lloyds hadn't made a mistake, Mr L's stocks and shares ISA wouldn't have been transferred in its entirety and would have increased in value. So I think Lloyds should pay the majority of the financial loss. But HLAM could have taken steps to prevent the mistake, and I've taken that into account when thinking about fair compensation.

I then set out how I thought the compensation should be calculated. I said that Hargreaves Lansdown Asset Management Limited should:

1. Mr L only wanted to transfer £145,000. I intend to instruct Lloyds to transfer the amount in excess of this back to Mr L's stocks and shares ISA. On receipt of this sum, HLAM should arrange for the money to be reinvested, at no cost to Mr L, to reflect what Mr L's investments would look like now if the mistake hadn't made.
2. HLAM should calculate what Mr L's investments would be worth now if they hadn't been sold in April 2024 and calculate what dividend and interest payments, and capital receipts from corporate actions he's missed out on. \*
3. Mr L was receiving interest on the amount transferred in excess of £145,000 in the cash ISA with Lloyds. HLAM should deduct this interest amount from the lost growth figure.
4. HLAM should credit Mr L's stocks and shares ISA with 20% of this total loss. \*\*
5. HLAM should pay Mr L £350 for the distress and inconvenience caused.

\* Mr L's investments included a large holding of National Grid shares. In May 2024 National Grid announced a rights issue. I know Mr L was aware of this because he's mentioned it in several phone calls and was disappointed that he'd lost out. It's difficult for me to conclude with certainty what instructions he would have given HLAM if he'd still held the shares. Whilst I appreciate Mr L held money elsewhere, he wouldn't have held cash in his ISA, so I think it's less likely he'd have opted to take up the rights. In the circumstances I think the fairest way to account for this would be for HLAM to calculate how much Mr L would have received if he'd sold his rights. HLAM should add the rights sale figure to the total lost growth.

\*\* I assume the compensation for lost growth can be paid into Mr L's stocks and shares ISA. If this isn't possible, HLAM will need to compensate Mr L for the tax savings he will lose on that amount. HLAM should let me know, in response to this provisional decision, its proposals for achieving that.

### *Responses to my provisional decision*

HLAM agreed with my provisional decision.

Mr L agreed, but with two exceptions. He said that, if his National Grid shares hadn't been wrongly sold, he would have taken up his rights entitlement in full. He explained that he'd always taken up the rights in the past. And that he took up the rights in May 2024 for the shares he held outside of the HLAM ISA.

And he didn't think £350 reflected the distress and inconvenience he'd been caused.

### **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 considering what's fair and reasonable, I need to have regard to the relevant law and regulations, regulator's rules, guidance and standards and codes of practice and (where appropriate) what I consider to be good industry practice at the time.

I am persuaded by what Mr L told us about the National Grid rights issue. I asked HLAM about this and it agreed that it was likely Mr L would have taken up the rights on the holding in his ISA, if the parent shares hadn't been wrongly sold. I find HLAM should reflect this position in its loss calculation and when it reinvests the cash for Mr L.

I've re-considered the compensation figure for the distress and inconvenience caused by HLAM. And I appreciate the mistake has caused Mr L a lot of worry. But I'm satisfied that £350 is fair and reasonable in the circumstances.

As both parties agreed with the remainder of my provisional decision, I don't find any reason to depart from my earlier conclusion, with the exception of the treatment of the National Grid rights issue.

### **Putting things right**

My aim is to put Mr L back in the position he'd be in now, if his stocks and shares ISA hadn't been wrongly transferred in its entirety.

Mr L's stocks and shares ISA was wrongly transferred. HLAM should request an ISA transfer from Lloyds to credit Mr L's stocks and shares ISA with the sum which shouldn't have been transferred out.

HLAM hasn't confirmed whether Mr L's stocks and shares ISA can be credited with the compensation for the loss he's incurred. HLAM should communicate with HMRC to find out if HMRC agrees that, because this was as a result of an error by HLAM, it shouldn't be treated as a new subscription.

I've set out below what HLAM then needs to do, dependent on HMRC's response.

*If the ISA account can be credited, without it being deemed an additional subscription*

Hargreaves Lansdown Asset Management Limited should:

1. On receipt of the sum which shouldn't have been transferred, calculate how much extra is required to reinvest the cash in the investments Mr L would now hold if they hadn't been wrongly sold and transferred ("A" below). Transfer this total amount into Mr L's stocks and shares ISA and carry out the reinvestment at no cost to Mr L.
2. Mr L's investments included a large holding of National Grid shares. In May 2024 National Grid announced a rights issue. I think it's more likely than not that Mr L would have taken up the rights in full if his shares hadn't been wrongly sold. So HLAM should reflect this when it reimburses Mr L. It will need to credit Mr L's ISA with the number of shares he would have received if he'd taken up the full entitlement

("B" below).

3. HLAM can deduct how much it would have cost Mr L to take up the rights. ("C" below)
4. Calculate the dividend and interest payments, and any other capital receipts from corporate actions Mr L has missed out on. ("D" below)
5. Mr L was receiving interest on the amount transferred in excess of £145,000 in the cash ISA with Lloyds. HLAM should deduct this interest amount from the lost growth figure. ("E" below)
6. HLAM should calculate  $A + B - C + D - E$  and pay 20% of this total loss.
7. Pay Mr L £350 for the distress and inconvenience caused.

*If the calculated loss can't be credited to the ISA account.*

In addition to the above:

If HMRC won't allow the loss to be paid into the ISA account without it being deemed an additional subscription, the relevant investments and cash will need to be held in Mr L's general investment account. This will mean Mr L will lose the ISA tax advantages he should have received. I need to consider how much worse off Mr L will be if the investments and cash can't be held in the ISA.

Once HLAM has calculated how much will be held outside of the ISA wrapper, it can work out how many years it will take for that amount to be transferred into the ISA, using today's annual ISA allowance rates.

It should then calculate the additional income tax and capital gains tax Mr L is likely to incur for the period the investments and cash remain outside of an ISA. The calculation should use the following assumptions:

- a. Any charges on holding the investment outside the ISA will not be significantly different from those that would have applied if it had been held within an ISA.
- b. Mr L will hold the investments for a period of 10 years from date his shares were transferred out of his ISA.
- c. The tax position of the investment will remain unchanged for the period he holds it.
- d. Mr L will pay tax on the investment at the tax rate applicable to him.
- e. His tax position will remain unchanged for the period of 10 years.
- f. Using the FCA's rates of return for prescribed projections, the investment will return 7.5% compounded per year. (5% growth and 2.5% dividends for the investments). And any cash will return 1.5% a year (compounded annually).

It is necessary to use these assumptions in order to resolve this complaint and finalise matters for both parties. And, whilst it may not equal exactly the amount that Mr L has missed out on, I think it should broadly reflect his loss.

**My final decision**

My final decision is that I uphold this complaint. Hargreaves Lansdown Asset Management Limited should pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 9 January 2026.

Elizabeth Dawes  
**Ombudsman**