DRN-6268193

The complaint

Miss L complains that Hargreaves Lansdown Asset Management Limited ('HL') sold her Lifetime ISA ('LISA') investments without giving her a fair opportunity to avoid this. She says this caused her financial loss and that HL should compensate her or reinstate her holdings.

What happened

Miss L opened a Lifetime ISA (LISA) with HL on 21 March 2025 and invested shortly afterwards, including purchasing Nvidia shares in April 2025.

When HL attempted to register the account with HMRC to claim the LISA bonus, HMRC advised that Miss L appeared to hold another LISA for the same tax year. HL initially investigated whether this could be due to an internal duplicate record created at account opening. Once that was ruled out, HMRC again confirmed on 29 April 2025 that another LISA existed.

On 30 April 2025, HL contacted Miss L via secure message. In that message, HL explained HMRC's position, asked Miss L to confirm whether she held another LISA or had cancelled one, and made clear that if it did not hear from her by 13 May 2025, it would refund the subscriptions and disinvest any holdings in order to comply with HMRC rules.

HL did not receive a response within that timeframe. On 16 May 2025 it proceeded to arrange disinvestment, and Miss L's holdings were sold on 19 May 2025.

Miss L responded after the deadline, explaining that she had not contributed to another LISA and that she did not want her investments sold. HL then explained her options and facilitated the opening of a Fund & Share account. Her remaining investments and cash were transferred in June 2025.

HL acknowledged there had been some delay in notifying Miss L and some shortcomings in communication. It offered compensation for this but did not accept that it had acted incorrectly in selling the investments.

Miss L referred her complaint to this service. One of our investigators considered the case and said HL didn't need to do anything more. Miss L did not agree and asked for a final decision, so the complaint has been passed to me.

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.

I appreciate that this has been a frustrating experience for Miss L. In particular, I understand why she feels she has missed out on gains from her Nvidia shares and why she considers this could have been avoided. I've carefully considered her concerns about delay, the handling of the situation, and the loss she says she has suffered.

I accept that HL did not notify Miss L immediately after the first indication from HMRC on

15 April 2025, as it first carried out an internal investigation into whether the issue was caused by a duplicate record. In my view, this resulted in some delay, and it would have been better practice for HL to provide an earlier update. However, I'm not persuaded this amounted to a breach of regulatory standards such as Principle 7 or the Consumer Duty. HL did not provide misleading information or withhold material information once it had clarity — rather, it took reasonable steps to investigate before communicating a confirmed position.

I'm also not persuaded that this delay materially affected the outcome. The key issue in this case was HMRC's confirmation that Miss L appeared to hold another LISA for the same tax year. Until that position was clarified or corrected, HL was required to treat the account as non-compliant. Even if HL had contacted Miss L earlier, the same regulatory position would have applied. Importantly, once HL did contact Miss L on 30 April 2025, it clearly set out the issue, the required action, and the consequences of not responding. Miss L was given until 13 May 2025 to reply, which I consider to be a reasonable opportunity. On balance, I'm not persuaded earlier contact would have led to a different outcome.

I understand why Miss L considers that her investments should not have been sold and that an in-specie transfer would have avoided the loss she describes. However, I don't think HL acted unfairly by not offering or carrying out such a transfer at that stage.

At the point HL contacted Miss L, it had not yet established whether HMRC's information was correct, and its priority was to clarify whether the LISA could remain valid. In addition, Miss L did not have an alternative account in place into which the investments could be transferred at that time. The Fund & Share account was only opened in June 2025, after the investments had already been sold.

Further, and in the context of Principle 6 and the Consumer Duty, firms are expected to act to avoid foreseeable harm and support good outcomes. I recognise that selling the investments meant Miss L no longer held those shares and that the funds were removed from the LISA, so they no longer benefited from the tax advantages of the wrapper. However, this was an inherent consequence of resolving a LISA that could not be confirmed as compliant. HL mitigated this by providing a clear warning and a reasonable opportunity to respond before taking action. It only proceeded once that opportunity had passed without engagement. In my view, that approach was consistent with acting fairly and reasonably in the circumstances.

I've also considered whether HL's communication was sufficiently clear about what would happen. The message of 30 April stated that HL would "disinvest any holdings" if it did not receive a response. I think it was reasonably clear in context that this meant the holdings would be liquidated. I'm therefore satisfied Miss L was given a clear enough warning of the likely outcome.

Miss L says she has suffered a loss of around £820 due to the increase in Nvidia's share price after her holdings were sold. I don't doubt that the share price increased. However, when assessing compensation for investment losses, I need to be satisfied that the loss was caused by something HL did wrong. In this case, I'm not persuaded that it was. The investments were sold following a clear warning and after no response was received within a reasonable timeframe. Therefore, it wouldn't be fair or reasonable to hold HL responsible for market movements in these circumstances.

Putting things right

HL has acknowledged that its communication could have been clearer and timelier, particularly in relation to the delay in notifying Miss L while it investigated the initial HMRC response. It has offered a total of £100 in compensation for the distress and inconvenience

caused.

Taking everything into account, I think this is a fair and reasonable outcome for the service shortcomings identified. While I recognise Miss L's primary concern is financial loss, I've not found that HL's actions caused that loss. The compensation offered appropriately reflects the impact of the delay and communication issues. In the circumstances, I'm not asking HL to do anything more.

My final decision

I'm satisfied that Hargreaves Lansdown Asset Management Limited acted reasonably and in line with HMRC requirements, and that it gave Miss L a fair opportunity to respond before taking action. However, there were some communication shortcomings. Hargreaves Lansdown Asset Management has already made an offer to pay £100 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is Hargreaves Lansdown Asset Management Limited should pay £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 29 April 2026.

Farzana Miah
Ombudsman