

The complaint

Mr M complains that HSBC UK Bank Plc failed to pay him a dividend.

What happened

In November 2022 Mr M sold a holding of shares in the HSBC Global Strategy Adventurous Portfolio. Shortly after, he complained to HSBC that he hadn't received an associated dividend payment. He said he'd been holding the shares at the ex-dividend date of 16 October 2022, so he'd been entitled to receive the dividend, but it seemed he hadn't.

HSBC explained there was no issue with the ex-dividend date. Rather, because Mr M held accumulation shares, he wouldn't have received the dividend as an income payment. It said that with this class of shares, the dividends were reinvested in the fund, and this was then reflected in the price of the shares. HSBC highlighted that this process was explained in the portfolio prospectus and also on the statements issued to him.

Mr M didn't accept this and referred the complaint to this service. But our investigator considered that HSBC had acted correctly and didn't need to do anything more. He said HSBC had confirmed that it was a requirement that the dividend payments were shown on the statements, even with accumulation shares, but the disclaimer on the statement explained the payment situation.

Mr M didn't accept the investigator's opinion, so the matter's been referred to me to review.

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've reached the same conclusion as that reached by the investigator and for the same reasons.

As noted, Mr M held accumulation shares in the Global Strategy Adventurous Portfolio. In respect of different types of shares, the relevant HSBC 'OpenFunds' prospectus says –

"Holders of Accumulation Shares do not receive payments of income as these are Accumulation Shares and any income arising in respect of an Accumulation Share is automatically accumulated and reflected in the price of each Accumulation Share."

Although this doesn't include a specific reference to dividends, elsewhere the prospectus defines 'income' as –

"...money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its investors or retained in the fund and reinvested".

And I can see that in the 'Income Summary' section of Mr M's statement for 15 December 2022 there were several entries relating to dividends for holdings in various Global Strategy portfolios. These showed in each case as 'Cash Dividend (Paid)'. So, I can appreciate why

Mr M might've assumed there'd be a cash payment and in the absence of one, that the ex-dividend date had caused an issue.

But HSBC has explained that it's required to show the dividend as it did on the statement. And while I understand that doing so could create some confusion, immediately below the 'Income Summary' section there was the disclaimer, in bold, that said –

“*Please note that accumulation distributions that are displayed above are representative of the dividend that has been reinvested into the fund. As such the payment will not have been paid to you. For more details please see the relevant prospectus for the fund in question.”

This being so, in all the circumstances, I'm satisfied the dividend has been handled correctly for Mr M – he has received it correctly, in line with the mechanism by which accumulation shares work. And I'm satisfied HSBC has communicated that mechanism in a fair and clear manner.

My final decision

For the reasons given, my final decision is that I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 September 2023.

James Harris
Ombudsman