

## **The complaint**

Mr S complains about the administration of his portfolio by Financial Administration Services Limited, referred to as “*Fidelity*”.

In summary, he says:

- Fidelity gave him inaccurate and misleading information.
  - Its ‘book cost’ calculation on its platform is inaccurate. It didn’t include ‘reinvestment’ of a dividend to the original total book cost.
- Its calculations are inaccurate. Its platform displays are wrong – with the wrong profit/loss and rate of return information.

## **What happened**

Fidelity didn’t uphold the complaint. It recently explained, in summary, the following:

- For capital gains tax (CGT) purposes, it includes reinvested dividends in book cost calculations as these change the average cost of the investment. However, when calculating performance, it treats reinvested dividends as having zero cost, as it’s considered to be pure gain. It believes this is the correct methodology.
- For the purposes of calculating performance, reinvested dividends are dealt directly into the fund – and don’t go into cash first. It doesn’t consider them to be an additional purchase by the investor, so they’re treated purely as a gain on the original investment.
- It contacted an external ‘actuary’ regarding its approach, which confirmed its approach is fair and reasonable.
- As a business it retains the right to set its own procedures with regards to recording cost this way.

Unhappy with Fidelity’s response, Mr S referred the complaint to our service. In summary, he maintains that what Fidelity is saying is misleading to investors, as it doesn’t reflect the true position within the calculations.

One of our investigators considered the complaint but didn’t think the complaint should be upheld. In summary, he said:

- A business is, in the reasonable exercise of its legitimate commercial judgement, entitled to choose how it runs its affairs. This isn’t something that our service would get involved in. Therefore, Fidelity’s procedure isn’t something that he can comment upon.
- Mr S would like Fidelity to apply changes to its reporting and platform as suggested by him, and his version of what’s the right thing to do. But that’s not within the scope of our remit, we can’t ask Fidelity to change its process.
- Fidelity has explained to Mr S, and to us, how it calculates book cost and why it has not done anything wrong in following its internal process and procedure.

- An expert (actuary) consulted by Fidelity has also explained that the recording of the book cost is fine. Incidentally, the actuary didn't say that Mr S's calculations were wrong either but we're not here to look at the actions of Mr S.
- He's persuaded that the calculation for the 'reinvested dividend' can be treated as having zero cost. Despite what Mr S says, he's seen nothing to suggest that this is inaccurate.
- Fidelity's calculations – on the platform and statement – is in line with its terms and conditions and internal procedure. He's unable to say that Fidelity has acted unreasonably.

Mr S disagreed with the investigator's view and asked for an ombudsman's decision. He maintains that the investigator's view doesn't feel fair. He says his complaint will have wider implications as other investors weren't/aren't aware of Fidelity's practice. All these years Fidelity provided him with a misleading picture. It is very difficult for him to evaluate the extent of his losses as he doesn't have access to all the information.

As no agreement has been reached the matter has been passed to me for 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 agree with the investigator's conclusion for much the same reasons. I'm not going to uphold this complaint.

On the face of the evidence, and on balance, despite what Mr S says, I'm unable to safely say that Fidelity has behaved unreasonably.

In other words, I note that Mr S wants Fidelity to change the way that it calculates and displays the total investment amount and wants it to include dividend payment as a total cost, however, I can't safely say that Fidelity is wrong by not doing so.

Before I explain why this is the case, I think it's important for me to note I very much recognise Mr S's strength of feeling about this matter. He has provided detailed submissions to support the complaint, which I've read and considered carefully. However, I hope he won't take the fact my findings focus on what I consider to be the central issues, and not in as much detail, as a discourtesy.

The purpose of my decision isn't to address every single point raised under a separate subject heading, it's not what I'm required to do in order to reach a decision in this case. In other words, I don't have to comment upon every single point made.

My role is to consider the evidence presented by Mr S and Fidelity, and reach what I think is an independent, fair, and reasonable decision based on the facts of the case.

I don't uphold this complaint, in summary, for the following reasons:

- A business is entitled – in the reasonable exercise of its legitimate commercial judgement – to run its affairs in the manner that it chooses to, so long as it's fair and reasonable.
- In this instance, and on balance, I don't think choosing to display figures in a particular way means that it has behaved unreasonably. I note in correspondence with our service, Fidelity made clear that following:

- *“As explained in our Final Responses of 26 May 2023, 23 June 2023 and 10 October 2023, for CGT purposes, we do include reinvested dividends in book cost calculations as these change the average cost of the investment. However, when calculating performance, we treat reinvested dividends as having zero cost, as they are considered to be pure gain.”*
- I note Fidelity further explained:
  - *“For the purpose of calculating performance, as reinvested dividends are dealt directly into the fund and do not go into cash first, we do not consider them to have been an additional purchase by the investor so they are treated purely as gain on the original investment.”*
- I note the figures probably weren't helpful for Mr S's purposes – arguably for the purposes of investing and/or calculating tax – however, I don't think this means the figures displayed by Fidelity were generally inaccurate or unreliable, albeit they didn't give Mr S what he wanted.
- Put in another way, Fidelity has its own methodology, as alluded to in the background section of this decision. On balance, I'm satisfied that its approach is broadly fair and reasonable, even though it isn't to Mr S's liking. I also note that despite what Mr S says, Fidelity has made clear that it can't amend the figures manually to suit him. I note the adjustments it made in relation to the Aviva investment were specific to that investment, rather than it agreeing to a general change to its methodology.
- I'm not bound to accept everything that a party says, and if I accept a piece of evidence, it's a matter for me how much weight I attach to it. In this instance I'm mindful that Fidelity also consulted an actuary about its figures and was told that it wasn't doing anything wrong.
- It said the actuary confirmed:
  - *“provided dividends are reinvested in the same account (whether the same fund or another asset), they will cause the overall account valuation to increase without any ‘external’ cashflows (your Acquisition Costs) and hence will contribute to an increase in the reported Annualised Rate of Return or Total Return.”*
- So, despite what Mr S says about his discussions with a 'financial trade body', and others – which he says told him that the reinvestment of dividend cost should be added to the original book cost – Fidelity's interaction with an actuary further adds weight to my conclusion that Fidelity wasn't doing anything objectively wrong.
- Any particular figure or calculation that Mr S might require, may need to be undertaken by him, possibly with the help of others such as the fund provider or a tax adviser. This is not within the purview of Fidelity.
- Despite the information sought by Mr S, and how easy he says it is for Fidelity to obtain, I note Fidelity says it's not required to request historical book costs from other platforms, neither is it obliged to provide any. Given that it's entitled to choose how to run its business, I don't think this is an unfair conclusion.
- So, despite Mr S's concerns about the 'base value', Fidelity hasn't done anything wrong by not obtaining/providing this information it's not required to, whether it be contractually or regulatorily. I note Mr S thinks this is just an excuse, but if a business chooses not to provide information – that it's not obliged to provide in the first place – I can't say that it has done anything wrong.
- I'm mindful Fidelity says it's only required to provide information when Mr S places a transaction on his account which is sent out in confirmation of transactions documents.
- Fidelity maintains that performance information is a value-added feature that it can supply. But the reports aren't designed to provide the full history of the performance of an investor's assets since their very first investment in previous versions or with another platform or even in another account. I note Fidelity says it makes clear on its website that its various performance tools have limitations, so Mr S shouldn't rely on

it for those reasons.

- In the circumstances, and on balance, it is arguable that Mr S was given (sufficient) notice that he may not get what he wants.
- Despite what Mr S says about why dividends aren't included and why this might give false gains and performance information, I note Fidelity's answer is clear, it states:
  - *"Dividends and income generated from an investment is in fact part of the gains and performance figures for the fund or asset. For example, for accumulation funds the dividend is automatically reinvested to increase the price of each share or unit, therefore the dividends in accumulation funds are considered part of the growth of this fund."*
  - *"For income paying funds and assets, the dividends are paid out to the investors, who can choose to have this reinvested, kept as cash or paid to your bank account. However, this is still considered as part of the growth from the investment as it is money made from your investment. Therefore, it is not part of the total amount that a client has invested."*
- I'm aware that Mr S has made his point to fidelity clearly and succinctly, setting out how in essence the 'system limitations' should be corrected (and information correctly recorded), but Fidelity wasn't persuaded to change the way that it displays figures on the platform and/or its statements. Given what I've said above, this isn't something that I can blame Fidelity for, even though it isn't how Mr S would like information to be displayed.
- The above notwithstanding, I note that there was an error on Fidelity's system which imported incorrect figures in the performance report for Haleon PLC Ord shares which Fidelity has rectified on all affected accounts. I'm aware Fidelity has also confirmed that figures can't be manually amended.
- On the face of the evidence and on balance I can't safely say that Fidelity gave him inaccurate or misleading account information relating to the book cost of his investments. And consequently, I can't say that Fidelity is responsible for any financial losses Mr S may have suffered, because I can't say that Fidelity has behaved unreasonably.
- The above notwithstanding, I'm aware that Fidelity has observed that Mr S's points are valid and as such his feedback has been passed on to the relevant department. Nevertheless, it maintains that given that this is how these systems and tools are designed there's no error in how Fidelity has chosen to display its information.

I appreciate that Mr S will be thoroughly unhappy that I've reached the same conclusion as the investigator. Furthermore, I realise my decision isn't what he wants to hear. Whilst I appreciate his frustration, I can't safely say that this complaint should be upheld.

In other words, on the face of the available evidence, and on balance, I can't uphold this complaint and give Mr S what he wants.

### **My final decision**

For the reasons set out above, I don't uphold this complaint and make and make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 April 2024.

Dara Islam  
**Ombudsman**