

## **The complaint**

J Limited (name anonymised), referred to as “J”, complains about Hargreaves Lansdown Asset Management Limited trading as Hargreaves Lansdown, referred to as “*the business*”.

In short, it says:

- It doesn’t agree with how the business calculated the average cost of units and believes that the calculation is incorrect because it doesn’t consider the sale of units.
- As a result of the incorrect cost and gain/loss figures, it had to recalculate the correct figures for each asset held at year-end for the last six years, at considerable time and effort.
- To put things right, it would like the business to review and correct the methodology used to calculate the average cost per share. It would also like redress for the time, effort and costs incurred doing its own calculations.

## **What happened**

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

- Unless it’s the case that the information provided wasn’t clear, it’s not for us to tell a business how it should run its affairs, especially in terms of the information provided and calculations conducted.
- The business provided an average cost of holding. This was calculated in the way it was explained on its website and in the investment reports. This information is accessible and available for J to see.
- The business provided data for J to do its calculation. The average cost of holding is provided to all customers for indicative purposes. The method is clear and not misleading.
- The account is execution only, and after each transaction the business provided a contract note showing the cost or amount realised. So, J had the relevant information relating to their account to produce the calculations in the form they require.
- The business shouldn’t have to change their method of calculation or provide a bespoke calculation just for J.
- The costing explanation is clear and available for J to see. But just because J wants it in another format – for business purposes – doesn’t mean that the business has done anything wrong.

J disagreed with the investigator’s view. In summary, it said:

- The investigator hasn’t reviewed the appropriateness of calculating the average cost of holding on the business’s website. By not doing so, the investigator is saying the business can calculate this in any way it wishes.
- The business is using an average costing method which it doesn’t agree with.

- Using its example, if one buys 2000 shares at £1, sell them at the same price, then buy them back at £2. Applying the business's calculation, would show that a profit of £1,000 has been made, which is unreasonable and wrong.
- Despite what the investigator says about being content with the business's explanation on its website, the calculation isn't fully documented.
- The business's explanation is that "*The average cost calculation is reset if you sell the entirety of a holding; any future purchases in the same stock then ignore previous purchases in the cost calculations. However if you sell only part of a holding (even if you leave just one unit invested) all previous purchases will continue to be taken into account in cost calculations if you buy more units in the future.*" However, this is not stated on the business's website, and its calculation doesn't work correctly in all situations.
- It doesn't agree with the investigator's explanation that the average cost of holding is provided to all customers for "indicative purposes". It's like saying all gain/loss figures are provided for "indicative purposes" – implying these are rough figures.
- It is disappointed that the investigator wouldn't agree that the business should change its calculations or provide a bespoke calculation, although it has never asked for the latter.
- It is happy that the business has selected the average costing method, but it's applying it in a flawed manner. In other words, it's not following the method correctly.

The investigator having considered the additional points wasn't persuaded to change her mind. In summary, she said:

- The method used by the business to make calculations, matched its description of the method.
- There could be alternative calculations, but this doesn't mean the business has done anything wrong. The business can be contacted for further explanation if necessary.
- Although J would like the calculation done in a different way, it doesn't mean the business's current method is inappropriate.

J states that the business could've chosen the first-in-first-out method, the last-in-first-out method or one of several other methods. Each of these methods is correct – different methods give different answers. But the business's method is mathematically incorrect. Neither the business, nor the investigator understands their method.

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 J says, I don't think the business did anything wrong by refusing to apply a different method of calculation. I understand that J had to re-calculate in a different format, and did so for its own business purposes, but that doesn't mean the business has done anything wrong.

Before I explain why this is the case, I think it's important for me to recognise the strength of feeling J has about this matter. It has provided submissions to support the complaint, which I've read and considered carefully. However, I hope it 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, or undertake a forensic analysis of the evidence, it's not what I'm required to do in order to reach a decision in this case. I appreciate this can be frustrating, but it doesn't mean I'm not considering the pertinent points in this case.

My role is to consider the evidence presented by J, and the business, and reach what I think is an independent, fair, and reasonable decision based on the facts of the case – I'm not here to take sides.

In deciding what's fair and reasonable, I must consider the relevant law, regulation, and best industry practice, but perhaps unlike a court or tribunal I'm not bound by this. It's for me to decide, based on the information I've been given, what's more likely than not to have happened.

I'm not going to uphold this complaint. I do so for the following reasons:

- I note from various correspondence that J agrees with the following which I think is helpful:
  - *"...the Cost of Holding is calculated as the average unit cost price multiplied by the number of units. I also agree that the average unit cost price should remain the same upon the sale of units. Therefore, the Cost of Holding reduces upon the sale of units as your methodology provides for."*
- However, using its own methodology, J also says:
  - *"However, if all units are sold, the Cost of Holding should be set to zero (for the purpose of further calculations). The average unit cost should be calculated by taking the prior (from the prior transaction) Cost of Holding plus the value of a new purchase divided by the new number of units. This means that if all units were sold and then a new investment in that stock occurs, the prior Cost of Holding (zero) would have no effect on the new Cost of Holding. The new Cost of Holding would simply be the cost of the newly reinvested transaction. This approach works for any amount of units sold."*
- I appreciate that there were other methods of calculation, and probably more suited for J's purpose. But this doesn't mean that the calculation method used by the business was wrong or mathematically incorrect so far as its methodology is concerned. I note the business says:
  - *"We appreciate that there are various other methods of calculating the cost of an investment, which could be used and aren't incorrect, but we must establish a useable method for automatically calculating cost figures for all of our clients."*
- Whilst it wasn't what J wanted, it wasn't wrong either and the business hasn't done anything wrong by not doing what J specifically wanted or required for its own profit and loss account.
- Despite what J says, I can't safely say that the average costing method was applied in a flawed way or wasn't followed properly. Like the investigator, I'm satisfied that it did what it made clear on its website it would do, and J had access to this information.
- On balance, I don't think the business could provide all the details of its calculations so probably hasn't done anything wrong by not doing so. I note it had made clear that J could call up to discuss matters.
- A business is, in the reasonable exercise of its legitimate commercial judgement, entitled to run its affairs how it pleases. It's not for us to tell a business how it should

run its affairs. So, unless we find that the information provided was misleading or wasn't clear and fair, it's really not for us to tell a business what processes it should use.

- In this instance, and on balance, the business calculated figures in the way that it said it would – and made clear that it would. J had access to this information, as well as the opportunity to ask questions if it wasn't happy with anything.
- On balance, I don't think it's for us to determine the appropriateness of the method used by the business.
- Just because J wants the calculation done in a different way doesn't mean the business has done anything wrong. In other words, the business using an average costing method which J doesn't agree with, doesn't mean it has done anything wrong. I note in correspondence the business made clear the following:
  - *"If you would like to use a different accounting method for your personal use, your contract notes details the unit price for each purchase and sale on the account. To view contract notes online, simply login to your account and select the 'Portfolio History' tab. From here, you'll be able to view the contract notes section on the left side of the webpage. Please select the appropriate account (i.e. HL Stocks & Shares ISA) from the dropdown menu and make sure the period is set to the specific month your trade was placed within. Once you've done this, click 'Go'. You should then be able to see the contract note appear just below the search bar.*
  - *Alternatively, you're able to view this by clicking on the blue 'view contract note' button found to the right of your individual trades within your transaction history.*
  - *If you still hold a stock, you can also view an individual transaction history by clicking the name of the holding within your 'Stocks' screen. This will be listed at the bottom of the page and the contract note will be accessible by clicking the reference code."*

I appreciate J will be thoroughly unhappy that I've reached the same conclusion as the investigator, and I realise my decision isn't what it wants to hear.

I note it believes that the business should recalculate the figures and pay compensation, but I don't agree. Whilst I appreciate its deep frustration and anguish, I'm not going to ask the business to do anything further.

On the face of the available evidence, and on balance, despite what J says, I'm unable to give it what it wants.

### **My final decision**

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 13 September 2023.

Dara Islam  
**Ombudsman**