

The complaint

Ms W has complained about the service she has received from Hargreaves Lansdown Asset Management Limited (Hargreaves Lansdown). She said it didn't communicate properly with her, so she couldn't make an informed decision about corporate action on her shares. She said she has made investment losses because of this, and it should pay compensation to her.

What happened

Ms W held shares in Electra private equity Plc on Hargreaves Lansdown's trading platform. She had held these shares for many years, but not always held with Hargreaves Lansdown. Ms W has explained that they were transferred over from a third party to Hargreaves Lansdown in 2015.

Ms W said she paid a monthly amount to buy Electra shares on a regular basis up until recently and saw the investment as a retirement fund for herself.

Ms W said Hargreaves Lansdown had not communicated properly with her that her Electra shares had demerged. This happened during October and November 2021, where Hostmore Plc had as part of the demerger, separated from Electra and was listed as a separate company. Ms W from this point, held shares in Hostmore and Electra, but then Electra also changed its name to Unbound Group.

Ms W said Hargreaves Lansdown should have informed her of the board meeting where the corporate action was decided and the outcome of this meeting. She said had she known about the disinvestment she would have withdrawn her money immediately. She said she received no paper correspondence from Hargreaves Lansdown notifying her that the shares were to be demerged into two separate companies instead.

Ms W said that once the demerger took place, the two company shares that she held in her name instead, plummeted in price and value. She said once she saw this, she was only able to sell the shares for a fraction of what the Electra shares were worth before the corporate action took place.

Ms W said she doesn't understand why Hargreaves Lansdown didn't communicate properly with her about the demerger before it happened, so she could have made an informed choice about the shares and done something about it before the corporate action happened. She saw that she did receive paper letters from Hargreaves Lansdown asking if she wanted to invest more in Unbound Group, with it doing this on three occasions. She said she doesn't understand why it would send letters for this, but not about the more important corporate action.

Ms W said she phoned Hargreaves Lansdown's helpdesk after the demerger and a representative told her 'It often takes time for shares to stabilise – it will right itself'. She said after she was told this, the shares went down further and when she did sell the shares, they were a lot lower in value than at any point.

Ms W said she would like compensation for Hargreaves Lansdown's inactivity and lack of help or knowledge. She said they need to be held accountable for their lack of action.

Hargreaves Lansdown said in response that its role is to provide a brokerage service to Ms W, should she wish to trade any shares that she holds with it, on an execution only basis. It said it hasn't given advice to Ms W and has only held stock of hers on its nominee account. It added that it is not associated with Electra at all and has not had any say or involvement with the management of the stock.

Hargreaves Lansdown said Ms W's account was set to a paperless service, so all communication from it has been sent via secure message. It said an email was sent notifying Ms W of the secure message it sent about Electra shares demerging. It said it listened to the calls Ms W made to the help desk in 2022 and heard how its staff explained how the demerger would work and how it can affect the trading price of stock. It said no advice was given to Ms W. It said it was satisfied it had not acted in error or incorrectly advised Ms W about what to do.

It later added that while it has aimed to communicate in line with Ms W's contact preferences, there are times when paperless clients may receive communication by post and that it has discretion about when it does this. It says this is stated within the terms and conditions of the account.

Ms W was not happy with Hargreaves Lansdown's response and referred her complaint to our service.

An investigator looked into Ms W's complaint. She said she was not upholding Ms W's complaint as she couldn't see Hargreaves Lansdown had done anything wrong in its capacity as a broker. She said it provided sufficient notification of the corporate action and said the calls were not below what she would expect in the circumstances.

Ms W is not in agreement with the investigator's view. So as this is the case her complaint has been passed to me, an ombudsman, to look into.

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 am not upholding Ms W's complaint. I will explain why:

- Ms W said Hargreaves Lansdown did not communicate properly to her the corporate action in relation to shares she held in Electra. The company demerged and so after this action, Ms W instead held shares in Hostmore Plc and then Electra changed its name to Unbound Group. So, she held shares in these two companies.
- Ms W said that if Hargreaves Lansdown had communicated the demerger to her properly, she would have been able to make an informed choice about it and would have withdrawn her money straight away. But I can see that it did send her a secure message about the demerger of Electra on 21 October 2021, and it sent her an email to notify her about this message as well on the same day. I can see from a screenshot sent to our service from Hargreaves Lansdown, that the email stated, "You have a new secure message - a deadline applies so please read it without delay".

- Ms W's account preferences had been set to a paperless service, and Hargreaves Lansdown has said it would aim to communicate any messages to her through its secure messaging service.
- When I look at all of this and read the terms and conditions of the execution only service that Hargreaves Lansdown were providing to Ms W, I don't think it did anything other than what it said it was going to do: It communicated news of the corporate action using the method that it said it would aim to use where possible.
- Ms W said she received three letters from Hargreaves Lansdown about buying more shares in unbound. She says she doesn't understand why it did this to seek additional investment but chose not to write to her regarding the corporate action. Hargreaves Lansdown has said in response it will look to communicate based on its client's preference but there are times where it may send out communication by post. It says this is stated within the account terms and conditions.
- Again, I can see that it has communicated details about the corporate action on 21 October 2021 using the communication preference that had been selected on Ms W's account. It also backed this up with an email on the same day. Ms W had a deadline of a week to respond so the information provided was time sensitive. But Hargreaves Lansdown mentioned this within its email. So, on balance, I think it did communicate details of the corporate action to Ms W. On this occasion, she simply didn't read it in time to act in the way she said she would have done.
- Then Hargreaves Lansdown sent letters to Ms W about buying shares in Unbound and although this wasn't her preference, the terms of her account state that Hargreaves Lansdown has discretion to do this. I don't think Hargreaves Lansdown has acted unreasonably here when it has done so.
- I have listened to three call recordings carefully and heard what the representatives from Hargreaves Lansdown said to Ms W when she called them about the Electra demerger. I can hear the representative on each occasion explain what had happened regarding the demerger and answer Ms W's questions within its capacity as an execution only broker. I don't think it did anything wrong during these calls either.
- I have reviewed all the information provided by the parties and in doing so, I can't see that Hargreaves Lansdown is responsible for any failings on this occasion when it communicated with Ms W about the corporate action taken by Electra.

I appreciate that my decision will be disappointing for Ms W, and I acknowledge the strength of her feelings about what has happened here. But based on everything I have read and the findings I have given I don't think Hargreaves Lansdown has done anything wrong. It follows that I don't uphold her complaint.

My final decision

My final decision is that I do not uphold Ms W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 3 October 2023.

Mark Richardson
Ombudsman