

## The complaint

Mr G complains that Hargreaves Lansdown Asset Management Limited (HLAM) didn't let him know that the Woodford Patient Capital Trust (WPCT) invested in many of the same companies as the Woodford Equity Income Fund (WEIF). He complains this meant that the WPCT was susceptible to any difficulties the WEIF might experience from redemptions, and this would affect the WPCT's performance. He said that if he had known this, he wouldn't have invested.

## What happened

Mr G had an execution only account with HLAM. In 2015, he invested in the WPCT, and made further investments in 2016.

In 2019 the WEIF was suspended, and in October 2019 Mr G complained to HL that this was due to the overlapping investments between the WEIF and the WPCT. He said that HL ought to have let him know that was the case, and this was an additional risk that he was not prepared to take.

HLAM looked into Mr G's complaint, but didn't think it had done anything wrong. In summary it said:

- It didn't provide any advice to Mr G as he had an execution only account.
- It considered the information it provided to Mr G about the WPCT was fair, clear and not misleading. It also said that investments 'can be complex and overlap in several ways' and it would be difficult to highlight all the risks investments might be exposed to, including overlapping holdings.
- In any event, it was not responsible for providing this additional information and this was something Mr G needed to research and establish for himself prior to investing. Furthermore, it said that it wouldn't have been possible to monitor this after the launch of the fund nor did it know that the manager of the WEIF was planning to invest in the same unquoted companies, as these were separate investment vehicles, with different investment strategies.
- It didn't think it was liable to Mr G for any investment losses he had sustained as a result of investing in the WPCT.

Mr G remained unhappy and referred his complaint to this service. One of our investigators looked into the complaint, but didn't think it should be upheld. In short, he didn't think the impact on the WPCT was as significant as Mr G had suggested, and he felt that the negative performance was most likely down to publicity around the fund manager more than anything else. The investigator concluded that HL had no control over what assets the WPCT invested in, and it wasn't unusual for there to be a degree of overlap between the assets invested in by different funds. Finally, he said that no-one knew that the WEIF would be

suspended when it was, and so there was no additional warning or information that HL could've given Mr G when he invested, because it wasn't available then.

Mr G didn't agree. He said:

- He didn't agree that just because he was an execution only client, HLAM didn't owe him a 'duty of care'. He said he didn't think it was entitled to 'withhold negative information' whilst selling investments like the WPCT.
- The reason he invested in the WPCT was because HLAM was 'extolling' the virtues of the fund manager for investing in companies with great potential.
- He was aware that the WPCT invested in illiquid shares – but he said the key aspect was that he didn't know the WEIF would be investing in these same investments, and it might have a need to sell them quickly, so was not investing for the medium to long term. He said that if he had known there was an open ended fund that was investing in the same illiquid assets, which could well need to be the subject of a 'fire sale', he would not have invested in the WPCT.
- He disagreed that the WPCT's performance was to do with publicity around the fund manager, and instead said that it was all to do with the market value of the underlying unquoted investments which were 'devastatingly undermined by the fire sale of the same unquoted assets by WEIF'.
- HL had a duty to ensure that consumers had all the information that it had, and it was not entitled to select what not to provide. HL withheld the fact that the same illiquid underlying investments were being made by the WEIF.

He concluded by reiterating that if he had known the above, he would not have invested in the WEIF.

As agreement couldn't be reached, the case was passed to me to decide.

### **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.

It isn't in dispute that Mr G had an execution only account with HLAM. This meant that HLAM only had limited obligations towards him in terms of the investments it sold on its platform, and these did not include ensuring these investments were suitable, met his needs or were aligned to his risk tolerance.

Mr G says that HLAM failed to highlight that the WPCT invested in the same unquoted companies that the WEIF did. He alleges that HLAM had this information but did not share it with him when it promoted the investment to him. He also says that had he known this, he would not have invested in the WPCT because this would've represented an additional risk that he was unwilling to take.

I've considered Mr G's complaint very carefully, but I'm not persuaded HLAM has done anything wrong.

HLAM was required to ensure that the promotions and communications it directed towards Mr G, as one of its clients, were fair, clear and not misleading. But it was ultimately for Mr G himself to be aware of the investments he bought, what their strategy was or what holdings

they invested in.

I've seen a factsheet of the WPCT from the time, and it's quite clear to me that the presence of unquoted companies was always going to be a feature of the WPCT. I understand Mr G says that it isn't the unquoted companies themselves that was the problem, but the potential for those same companies to also have investment from the WEIF.

But this isn't something that HLAM would've had to research or be sure about. It isn't unlawful or inappropriate for two funds to invest in similar or even the same assets, and I agree with HLAM that any fund could've invested in the same unquoted companies. I would only add that it seems to me that two funds managed by the same manager may be more likely to have a greater degree of overlap than two funds managed by two completely different managers. But this is information Mr G already had when he invested, and he was clearly prepared to take that risk when he did so.

Furthermore, I note that Mr G remained invested despite updates from HL, in early 2019, about one particular unquoted company that both WEIF and WPCT were invested in. And in a further update in April 2019 HLAM noted that the WPCT had lost money since launch, and that whilst it could be used to diversify a portfolio, its higher risk and specialist nature meant that it should only form a small portion of it.

Taking all this into account, including HLAM's obligations towards Mr G, I'm not persuaded it needed to do anymore than what it did. I don't agree it was reasonable to have expected it to continuously review what assets the WPCT or the WEIF were investing in. Although I note above that it did highlight where there was overlap in relation to a specific holding, I'm not persuaded HLAM needed to provide a running commentary of how these funds overlapped, if indeed they did to any significant degree.

The reality is that as an execution only client, it was for Mr G to find out what his chosen fund invested in, and importantly, decide for himself whether he continued to be happy with the direction of that fund in subsequent years. As I've said above, the possibility that the WPCT might invest in holdings which the WEIF also invested in was clear by virtue of them both being managed by the same fund manager – so Mr G could've found out himself if he had wanted to. I accept this would've required a thorough level of investigation – but as an execution only client, this was Mr G's responsibility, and not HLAM's. Given the importance Mr G is stating this had for him when he invested, in my view he had enough information at the time to consider looking into this in more detail before he decided to buy units in the WPCT – or to avoid this risk altogether by not investing in the WPCT.

Furthermore, in subsequent years, in light of some of the commentary I've outlined above from HLAM, he continued to be in a position to consider whether he was comfortable with the risk of overlap between the WPCT and the WEIF and, if necessary, make further enquiries or sell his holdings.

For all these reasons, I'm not persuaded HLAM had the responsibility Mr G ascribes to it. I'm satisfied it shared relevant information with him about the WPCT such that he could make his own decision about whether to invest in it, and stay invested.

### **My final decision**

For the reasons I've given, my final decision is I don't uphold this complaint.

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

Alessandro Pulzone  
**Ombudsman**