

The complaint

Mrs R complains that Vanguard Asset Management, Ltd ('Vanguard') gave her misleading information and didn't pay a dividend on some shares she held in a Vanguard ISA. She wants to receive the dividend payment which she believes Vanguard is obligated to pay. And she wants to be compensated for misinformation about her dividend entitlement.

What happened

In September 2021 Mrs R opened a stocks and shares ISA with Vanguard.

In November 2022 she transferred shares into the Vanguard ISA from another ISA provider. At the same time she purchased some additional shares in a Vanguard fund inside the Vanguard ISA. I'll refer to these additional shares as 'the November 2022 shares'.

The date the November 2022 shares were purchased was 18 November 2022. At that time, the most recent ex-dividend date for those shares was 1 November 2022. And the dividend payable date was 30 December 2022.

Mrs R said the Vanguard website made reference to 'Group 2' shares. And her husband, Mr R, who also had a Vanguard ISA, asked Vanguard what that meant and how it related to his shares. Between October 2022 and March 2023 Mr R and Vanguard exchanged several messages in which Mr R asked for clarification about how Group 2 shares applied to his holding and Vanguard attempted to provide explanations in response to Mr R's questions.

Partway through this exchange Mr R mentioned to Vanguard that Mrs R also wanted to ask the same questions, unless Vanguard wanted to look at her account in parallel with his, '*to save time and effort*'. Vanguard said it was happy to review Mrs R's account but, for security purposes, she'd need to send messages via her own account.

Mrs R told us Vanguard's messages to Mr R caused her to believe Group 2 shares were shares that had been bought after the ex-dividend date and still held at the dividend payable date. She believed the November 2022 shares fell into this category. And she said Vanguard caused her to believe Group 2 shares would receive a dividend payment that was less than the payment given to Group 1 shares (which she believed were shares that had been bought before the most recent ex-dividend date).

However, Vanguard eventually made clear to Mrs R that the shares she bought in November 2022 weren't eligible for the 30 December 2022 dividend payment because they were purchased after the ex-dividend date for that period.

Mrs R complained to Vanguard. She said Vanguard had indicated that she was eligible for a dividend payment on 30 December 2022 in respect of the November 2022 shares. And she said Vanguard had failed to make that payment. She said he'd missed out on £184.60.

Vanguard said it didn't uphold Mrs R's complaint. It said that in December 2022 Mrs R wasn't eligible for a dividend payment in respect of the November 2022 shares.

Mrs R referred her complaint to this service. She said Vanguard should pay the missing dividend payment and the equivalent of the £100 it had given Mr R for having provided confusing information.

One of our Investigators looked into Mrs R's complaint. She agreed Vanguard had given confusing information to Mrs R, albeit via Mr R. But the Investigator didn't think Vanguard should pay Mrs R the dividend she sought because she said Mrs R wasn't entitled to receive it until she'd held the shares at the ex-dividend date. The Investigator said Vanguard had now offered to pay Mrs R £100 in recognition of having provided confusing information to her via its messages to Mr R. And the Investigator thought that was fair and reasonable in the circumstances.

Mrs R didn't agree with the Investigator's view. In summary, she said the following:

- The information Vanguard gave Mrs R was not merely confusing – it was incorrect, and it indicated that Mrs R would be entitled to a dividend in respect of the November 2022 shares.
- Whether Mrs R was originally entitled to the dividend payment wasn't the point – Mrs R became entitled to the dividend payment when Vanguard indicated that she would receive it. As a regulated business Vanguard should do what it says it will do.
- The £100 offered wasn't sufficient to compensate Mrs R for the trouble and upset he was caused, the lack of clarity in the information provided, and the financial loss caused by not receiving the dividend. Mrs R regarded these as separate issues.

The Investigator said Vanguard had not gone so far as to say it would pay Mrs R a dividend on the November 2022 shares, but it had provided information about dividends that wasn't clear enough.

Because no agreement could be reached, the complaint was passed to me to review afresh and make a decision.

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 partly uphold this complaint. I think Vanguard provided confusing information to Mrs R and it should pay her the £100 it has now offered to put that right. But I don't think Vanguard should have to pay Mrs R the dividend payment she seeks. I'll explain why.

The purpose of this decision is to set out my findings on what's fair and reasonable, and explain my reasons for reaching those findings, not to offer a point-by-point response to every submission made by the parties to the complaint. And so, while I've considered all the submissions by both parties, I've focussed here on the points I believe to be key to my decision on what's fair and reasonable in the circumstances.

Where a business has done something wrong my aim to is to put the consumer as closely as possible back into the position they would've been in if the business hadn't done anything wrong.

In this case, what Vanguard did wrong was to give Mrs R confusing information about what dividend payments would be due to her. Although Vanguard gave the information to Mr R,

and not direct to Mrs R, I accept that Mrs R was likely to have received the information via her husband and to have formed the same expectations that he did on the basis of the information that Vanguard provided. Mr and Mrs R made clear that they generally manage their finances jointly. They've said they would have a joint ISA and made a joint complaint if possible. And Mr R mentioned that Mrs R had the same questions he did while he was corresponding with Vanguard about dividend entitlements. So I accept what Mr and Mrs R say about this and I think it's reasonable to conclude that Mrs R was affected by the information Vanguard gave Mr R in largely the same way Mr R was affected.

Mrs R has said that whether or not she was originally entitled to the payment is irrelevant. She hasn't disputed that ordinarily she wouldn't have been entitled to the dividend payment. But she asserts that Vanguard gave her to believe that it would pay her the dividend payment and therefore Vanguard should pay it regardless of whether Mrs R was originally eligible for it.

I accept that the information Vanguard provided caused Mrs R to expect that she was entitled a dividend payment on 30 December 2022 for the November 2022 shares. Whether the information Vanguard provided was factually incorrect or merely unclear and therefore misleading, the impact on Mrs R is the same – poor communication by Vanguard led her to expect she would be eligible for a dividend payment on 30 December 2022 for her November 2022 shares.

If Vanguard had acted correctly and not done anything wrong, then when Mr R asked about 'Group 2' shares – and when he asked any follow-up questions – Vanguard would've provided information that was clear, fair and not misleading. If it had done that, Mrs R would've correctly understood that she wouldn't be eligible for any dividend payment on 30 December 2022 for the November 2022 shares.

Because Mrs R wasn't entitled to receive that dividend payment she hasn't suffered a direct financial loss by not receiving it. What Mrs R has suffered is the impact of poor communication by Vanguard. She was led to believe she'd receive a payment to which she wasn't in fact entitled. So I think Mrs R has suffered distress and inconvenience. She's been disappointed to miss out on a payment she was led to expect, and inconvenienced by receiving confusing information.

To remedy distress and inconvenience this service generally awards an amount in compensation reflecting the distress and inconvenience that has been caused to the consumer. Having considered all the circumstances I'm satisfied that £100 is a reasonable amount to reflect the impact on Mrs R of Vanguard's service failure. £100 is within the range of what this service generally awards where the consumer has experienced greater frustration and annoyance than he could reasonably expect from day-to-day life.

I don't agree that Mrs R should have separate payments for poor communication by Vanguard and the trouble and upset that she experienced. Poor communication is what Vanguard did wrong. Trouble and upset (or distress and inconvenience) is the impact that the poor communication had on Mrs R.

I also don't agree that Mrs R should receive a payment in respect of the dividend she didn't receive. I understand Mrs R has said Vanguard should pay the dividend because it said it would. But providing misinformation about an entitlement – and creating an expectation of an entitlement – didn't serve to create that entitlement. Rather, as I've said, it caused Mrs R misunderstanding, a false expectation and disappointment. If I were to require Vanguard to pay Mrs R the 30 December 2022 dividend for the November 2022 shares then Mrs R would receive a dividend to which she wouldn't have been entitled – and she'd be better off than if

Vanguard hadn't done anything wrong. That wouldn't be a fair and reasonable outcome in the circumstances of this case.

I understand Mrs R's frustration at having received misleading information from Vanguard about her entitlement. I hope Mrs R finds this decision clear and that she can be satisfied that this is a fair and reasonable outcome.

Putting things right

Vanguard Asset Management, Ltd caused Mrs R distress and inconvenience by providing misleading information. To put that right for Mrs R Vanguard must pay Mrs R the £100 it has now offered her.

My final decision

For the reasons I've set out above, my final decision is that I partly uphold this complaint. Vanguard Asset Management, Ltd must pay £100 to Mrs R.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 19 February 2024.

Lucinda Puls
Ombudsman