

## The complaint

Mrs B complains about the service she received from Columbia Threadneedle Fund Management Limited (*'Columbia Fund'*).

In summary, she says:

- Columbia Fund closed the fund that she was invested in, leading to a large tax bill.
- It wouldn't allow her to transfer her shares into another fund in line with the options provided.
- It didn't provide an option to mitigate any Capital Gains Tax (CGT) liability due from the transfer or redemption of the shares.

## What happened

As a client of Columbia Fund Mrs B was invested in the CT Asia Pacific fund (*'Asia fund'*). On 17 July 2023 she was notified that the fund was being closed.

In August 2023 she contacted Columbia Fund to discuss her options as redeeming her shares would (potentially) leave her with a large CGT bill. She was advised of her options but transferring her shares into her investment trust savings account (*'savings account'*), as a means of avoiding paying tax, wasn't possible.

Columbia Fund made clear that this option wasn't available because the savings account was under a different entity, but Mrs B disagreed. She says Columbia Fund was the provider of the savings account – as per the letter dated 17 July 2023 – so there should be no issue. In due course she complained.

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

- The letter dated 17 July 2023 was sent to all shareholders. Page two of the document contained the three options that were available to Mrs B before the deadline of 12pm Thursday 20 September 2023:
  - Transfer the funds to a different fund under Columbia Fund.
  - Redeem the shares before the fund is closed.
  - Do nothing and the funds would be redeemed automatically in due course.
- Because Columbia Fund didn't receive any instructions from Mrs B before the deadline, the default action, namely automatic redemption, took place in due course.
- The timeline shows that Mrs B contacted Columbia Fund in August 2023 to discuss her options but didn't provide a valid answer within the deadline, even though she was notified on 17 July 2023 that the fund was closing on 21 September 2023.
- Mrs B had plenty of time to respond but failed to do so.
- Columbia Fund explained why the fund was being closed and that it had gone through the appropriate channels to do so. In other words, it decided the keeping the fund would mean an increasing ongoing charge and this would negatively affect the shareholders.

- Mrs B thought that she could transfer her funds to the savings account because it was managed by Columbia Fund, but this wasn't correct. It was managed by a different company called '*Columbia Threadneedle Management Limited*' which was a separate legal entity, with a different Companies House number and HMRC registration (registered as separate plan manager).
- Given Mrs B's concerns about CGT, she was advised to seek advice from her accountant or a tax expert regarding this matter. This was reasonable given that Columbia Fund wasn't a tax expert and was unable to say much more than that there were likely to be tax implications.

Mrs B disagreed with the investigator's view and asked for an ombudsman's decision. There's been much correspondence between her, the investigator, and Columbia Fund. In summary, she made the following key points:

- She accepts that Columbia Fund has done nothing wrong legally. But its decision to close the Asia fund has left her with a £2,000 CGT bill which is morally wrong.
- In the circumstances it's normal practice for the business to offer a transfer under its control without any tax implications. Columbia Fund has refused this.
- The situation remains that she was forced to sell all her Asia fund holdings for Columbia Fund's benefit, with no way of avoiding the financial loss to her.
- She maintains that no rational person or court of law could possibly agree to this outcome.
- The letters dated 22 August 2023 and 13 September 2023 suggest that CGT is possible even if the fund is switched, so there's no way to avoid this liability.
- She'll be writing to her MP about this matter, as she's unhappy about how things have been dealt with.
- She's aware of different business in a similar situation that provided her with a workable solution. There's no reason why Columbia Fund couldn't do the same.
- She proposed her own timetable regarding the fund closure. If she were Columbia Fund she would've announced the fund closure on February 2023 with a six month closure period, enabling her to use the £12,000 CGT tax free figures from the 2022 - 2023 tax year and the £6,000 for the 2023-2024 tax year, overcoming her CGT problem. In other words, this would've helped her mitigate any CGT liability.

The investigator having considered Mrs B's response, wasn't persuaded to change his mind. In summary, he made the following key observations:

- The information referred to by Mrs B suggests that there may be a tax implication on the fund switch but this isn't definite. As Columbia Fund isn't a tax adviser it wasn't wrong to suggest this or that she speak to her accountant/tax expert.

Columbia Fund also made the following observations in response to Mrs B expressing her ongoing concerns:

- It can't comment on the difference in approach by another business. However, it doesn't believe that like for like is being compared.
  - With the other business Mrs B held a Life Fund that would only be held within a portfolio bond, select investment bond or cooperative investment bond.
  - But an investment bond is a different vehicle to an OEIC – which is what the Asia fund is – structured as companies and governed differently.
- Despite what Mrs B says about the timetable, the only option available to her and everyone else who held the same shares, would've involved a sale. In other words, anyone who held shares in the Asia fund outside of an ISA wrapper could've been exposed to a CGT liability. So, it's not accurate to say she's the only one in this

position.

- Whilst Mrs B's proposal might've mitigated some of her taxes it's not something Columbia Fund could do as an execution only firm. This is something she could expect of a private or discretionary wealth manager and they'd charge for the service.
- The closure is subject to FCA approvals, which can take time. This means making changes to tie in with particular tax year/change to tax allowances would be very challenging.

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 Mrs B says, I can't safely say that Columbia Fund behaved unreasonably such that this complaint should be upheld.

In other words, I can't say that it did anything wrong by closing the fund or not allowing Mrs B to transfer her funds to a savings account which wasn't part of Columbia Fund. Because of this I can't blame Columbia Fund for Mrs B's (Potential) CGT liability.

Before I explain further why this is the case, I think it's important for me to note I very much recognise Mrs B's strength of feeling about this matter. She has provided submissions to support the complaint, which I've read and considered carefully. However, I hope she 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 by the parties under a separate subject heading, it's not what I'm required to do in order to reach a decision in this case. My role is to consider the evidence presented by Mrs B, and Columbia Fund, and reach what I think is an independent, fair, and reasonable decision based on the facts of the case. I don't need any further evidence to make my decision.

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

- A business is entitled, in the reasonable exercise of its legitimate commercial judgment, to run its affairs how it chooses to do so. As long as it's not acting unfairly, which I don't believe Columbia Fund has in this instance, it's generally not something that our business would get involved in.
- In this instance, and on balance, I can't say that Columbia Fund has done anything wrong by choosing to close its Asia fund, because it didn't think it was commercially viable for its shareholders. This isn't a decision that our service would seek to question or go behind. It's outside of our remit in terms of looking at whether or not a business has behaved in a fair and reasonable way.
- I'm satisfied that the closure notification was given within a reasonable amount of time, namely just over two months before closure, with options for Mrs B to consider going forward.
- Unfortunately for her none of the options could guarantee that she wouldn't be liable to pay CGT, so it was likely that she'd have to pay this in any event depending on her circumstances.

- On the face of the evidence, and on balance, it seems like she was aware of having to provide a valid answer within the deadline with regards to the options available to her – hence the discussion in August 2023 – but failed to do so, which is why the shares were redeemed by way of default.
- I appreciate she wanted her shares moved to the savings account but Columbia Fund made clear that this couldn't be done, because the savings account was under a different company – albeit, with a similar name, it wasn't Columbia Fund.
- So, despite Mrs B's belief, I can't say that she was correct. I also can't say Columbia Fund did anything wrong by not being able to move her funds to the savings account free of any CGT liability.
- In the circumstances I also can't say that Columbia Fund was wrong to advise Mrs B seek specialist tax advice from her accountant or another tax expert. Columbia Fund isn't a tax expert and so hasn't done anything wrong by not being able to provide specialist tax advice.
- Despite what Mrs B says, like Columbia Fund, I also can't comment on why a different business was able to offer a different service and outcome. I'm only considering the actions of Columbia Fund in this complaint, and the fact that it wasn't able to do the same as another business doesn't mean it has done anything wrong.
- In any case, I'm mindful that the other example didn't involve the Asia fund but an investment bond(s) which isn't like for like.
- Despite what Mrs B says, I understand that it wasn't possible for Columbia Fund to carry out the closure in a way that Mrs B could split her tax bill over two years. This isn't something I can blame the business for because of all the other considerations it needed to take account of, such as seeking permission from the industry regulator and so on.
- I'm sorry to hear that Mrs B has written to her MP – suggesting that the ombudsman service is defunded – I understand her frustration. But be that as it may, I can't say Columbia Fund has done anything wrong by deciding to close the fund because it wasn't commercially viable.
- I think Mrs B's idea to liaise with HMRC is sensible, but sadly there are no guarantees that she'll get what she wants.

I appreciate Mrs B will be thoroughly unhappy that I've reached the same conclusion as the investigator.

Furthermore, I realise my decision isn't what she wants to hear. Whilst I appreciate her frustration, I'm not persuaded to ask Columbia Fund to do anything.

In other words, on the face of the available evidence, and on balance, despite what Mrs B says, I can't uphold this complaint and give her what she wants.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 13 May 2024.

Dara Islam  
**Ombudsman**