

The complaint

Mrs R complains that Financial Administration Services Limited (trading as Fidelity) deducted a fee from what she considered was a compensation payment from the Woodford Equity Income Fund (WEIF). She says this was unfair because she'd been unable to close her account with Fidelity or do anything with the fund.

What happened

Mrs R invested in the WEIF in August 2015. In June 2019 the fund was suspended and, later, a decision to liquidate it was made. Some payments resulting from the sale of the fund's assets were made to investors. In early 2024 a Scheme of Arrangement was agreed between the WEIF's Authorised Corporate Director and the fund's investors for some additional capital distributions. These began being received by investors in early 2024.

In March 2024 Fidelity wrote to Mrs R about the payment and on 3 April 2024 she received £115.94 into her Fidelity account. The following day Fidelity deducted £97.50 to cover its service fees which it had been unable to deduct previously due to the fund's suspension. The service was charged at £7.50 per day or £90 per annum. Mrs R complained about this to Fidelity.

Fidelity looked into her concerns but didn't agree it had done anything wrong. It explained that its service fee was used to cover the administrative costs of running Mrs R's account as well as the services provided, such as regular statements and valuations, access to the online account, customer communications as well as other support services. As it had to provide these services even though the WEIF was suspended, the fee continued to accrue while Mrs R held assets on its platform. It explained that in the circumstances it would deduct the fee that is owed from any cash received from the fund.

Mrs R didn't agree and referred her complaint to this service. One of our investigators looked into her complaint but didn't agree it should be upheld. In summary, the investigator was persuaded by Fidelity's explanations about the services it provided in exchange for the fee and said that she'd seen evidence that Fidelity had previously explained how it would deduct its fee in January 2023. She also said that whilst Mrs R considered the payment received from the Scheme of Arrangement as compensation, the scheme itself said that payments made would be considered capital distributions from the fund and, as such, would be deemed to be a part-disposal of her shares in the WEIF. As a result, it was reasonable for that payment to be received in her Fidelity account and for Fidelity to have deducted its fee from this amount.

Mrs R didn't agree with the investigator and asked for an ombudsman's decision.

In summary, she said that the payments had always been described as "compensation payments" so it wasn't right that Fidelity was able to take its management charges out of that. She was left with just over £25 and this was "a pittance and an insult". The money should've been sent to her bank account as it wasn't Fidelity's to take. She said she was locked in a fund that she could do nothing about and this wasn't fair.

Mrs R also provided a frequently asked questions page from Fidelity which she said showed that she would be able to withdraw the amount received from the WEIF to her bank account – but she had no time to do this as Fidelity had already deducted its fees from the amount. She said at no point did Fidelity tell her that it was entitled to deduct these managements fee from this payment. She said that this was all exacerbated by the fact she was only told on 15 April 2024 that the payment had been received, even though this had happened on 3 April, and inviting her to decide what to do with the money – even though by then, due the deduction of fees, there was only around £25 left.

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.

I want to take this opportunity explain that I completely understand Mrs R's complaint and strength of feeling – I understand why she feels unfairly treated and let down. Furthermore, given the issues to do with the WEIF as well as the protracted amount of time it has taken for matters to reach some sort of resolution, I can imagine how upsetting it was to see that the vast majority of the small amount of money she received was taken up in Fidelity's fees.

But even though I can see it from Mrs R's perspective, my role requires me to be impartial and look at matters from Fidelity's side too. It didn't cause the WEIF's suspension or subsequent liquidation and it isn't its fault that Mrs R is unable to divest herself of her interest in the WEIF. It has confirmed that it won't charge Mrs R a fee for moving her investment elsewhere – but I understand this might be challenging and Mrs R may well incur fees with another provider anyway.

However, Fidelity is still providing a service to Mrs R. The list of things it outlined to Mrs R that it does on her account is reasonable and very standard across the industry. It has sought to treat her fairly by only taking its fees in the event of payments out of the fund. Furthermore, given the strong possibility of further pay-outs being equally limited, it has also accepted that it may not recover the full extent of the fees it has incurred.

So whilst I understand Mrs R's situation, I also understand that Fidelity still has a service to offer for which certain, albeit limited, costs are incurred – and those costs don't automatically reduce or diminish as a result of Mrs R's investment being suspended. Certain standing costs that allow Fidelity to offer the service that it does will apply regardless of the state of the fund or how many investments Mrs R holds with Fidelity. Asking Mrs R to contribute to those costs is, in my view, fair and reasonable – and this is what Fidelity has done.

As the investigator has also explained, the Scheme of Arrangement's terms are clear about how payments are to be made and how they are to be treated – so there was nothing untoward about the payment being made to Mrs R's Fidelity account rather than her bank account, which the Scheme administrators wouldn't have known about anyway.

I accept Fidelity could've notified Mrs R earlier about receipt of the payment, but this wouldn't have made any difference to Mrs R's ability to withdraw the full amount – Fidelity would still have likely deducted its fees.

Finally, even though as I've said I consider that Fidelity acted fairly and reasonably, I'm also satisfied it acted consistently with its terms and what it told Mrs R it would do. The evidence

I've seen shows that it told Mrs R that it had no other way of deducting fees, and that it would therefore only do so when payment was received from the fund. So I'm not persuaded it has acted in a way that is unlawful or that it hadn't properly explained the matter to Mrs R – although I accept that, given the amount of communications about the WEIF, Mrs R may not have fully appreciated that Scheme payments would be subject to these deductions.

For all these reasons, whilst I've considered Mrs R's submissions and the reasons why she thinks she has been treated unfairly, I'm satisfied Fidelity has done nothing wrong and therefore, needn't do anything to put things right.

My final decision

My final decision is that I don't uphold Mrs R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 11 December 2024.

Alessandro Pulzone
Ombudsman