

The complaint

Mr R senior complains, on behalf of his son, Mr R, about the administration of his Junior Individual Savings Account (JISA) by Interactive Investor Services Limited (IISL).

Mr R senior complains that when his son reached 18 years of age IISL applied a monthly charge to the account, so he tried to transfer the account. Mr R senior says that when he contacted IISL it wouldn't take instructions from him. Mr R senior says that IISL also refused to take instructions from the new provider.

Mr R senior complains that IISL caused delays by sending correspondence to his son's home address when he was away. In addition, he says that IISL asked for identification documentation from his son unnecessarily which caused further delays.

Mr R senior and his son didn't accept IISL's offer to refund some of the fees.

What happened

Mr R senior opened a JISA for his son.

In May 2020, before the account matured, IISL sent account verification forms to Mr R which included a verification of identification form and an extra due diligence form.

In June 2020 Mr R reached 18 years of age and became the sole authorised person on the account.

Mr R senior contacted IISL in September 2020 to transfer the account to a new provider. IISL said it couldn't discuss the account with him because Mr R senior wasn't an authority on the account, so his son would need to contact IISL.

On 30 September 2020 Mr R senior contacted IISL to ask about the rejected transfer. IISL said it was unable to discuss the account with him because he didn't have the relevant third-party authority.

On 14 October 2020 the account holder, Mr R, contacted IISL. IISL was unable to complete security checks with him.

On 3 December 2020 IISL re-sent the account verification documents.

On 25 February 2021 Mr R contacted IISL again but IISL was unable to complete the security checks. IISL then re-sent the verification forms.

On 13 April 2021 IISL contacted the account holder and obtained some of the information it required. It decided, given the value of the account, that this was sufficient information to allow Mr R to give instructions.

In April 2021 Mr R senior complained to IISL and said it had delayed the transfer of his son's ISA.

On 25 May 2021 IISL responded to the complaint and didn't uphold it. It said that it didn't have authority to discuss the account with Mr R senior, as his son was now 18 and hadn't given authority for someone else to deal with his account.

On 15 July 2021 £134.90 credit was applied to the account and shortly after the account holder, Mr R, was informed by way of secure message that this credit had been applied.

However, the transfer of his account to another provider wasn't progressed because there were outstanding fees.

On 1 September 2021 Mr R sent a secure message asking about the transfer.

On 3 September 2021 IISL responded by secure message indicating that any outstanding fees would need to be paid before the transfer could take place and the word "fees" should be used as a reference for the payment.

Mr R senior referred the complaint to our service on his son's behalf.

Our investigator considered the complaint but didn't think it should be upheld. She noted that the JISA had matured when Mr R reached 18 years of age and that just prior to that, IISL sent documentation in respect of identification verification to be completed by Mr R. The investigator thought it was reasonable for IISL to ask for this information as it had to adhere to financial rules and regulations.

The investigator acknowledged that Mr R senior had then sought to transfer the ISA account. However, she concluded that IISL was unable to take instructions from Mr R senior because he didn't have authority to act on his son's behalf, as Mr R was the sole authority and he hadn't formally given permission for another person to act on his behalf.

The investigator considered that IISL was entitled to apply monthly fees under the terms of the account and she was satisfied it could ask for those fees to be paid before a transfer could take place.

She noted that Mr R hadn't provided the required information in respect of identification when the account matured, or when the transfer was initially requested, and she didn't think the type of evidence requested by IISL for that purpose was unusual or unreasonable.

However, she considered there had been a delay by IISL of about six months, between October 2020 and April 2021, in accepting Mr R's information. She noted that IISL had credited Mr R's account with significantly more than six months' worth of fees in July 2021, so she felt that IISL had compensated Mr R for that delay.

The investigator thought it was reasonable to conclude that further losses could have been mitigated had the fees been paid sooner and the account transferred. So, the investigator didn't think IISL should return any more fees.

Mr R senior didn't agree and in summary said that:

- He and his son had spoken to IISL on the same phone line before he had gone away.
- They had the same address for 10 years and he also had an account with IISL under which the JISA had been managed.
- He said his son had the required evidence of identification.
- He said that if the risk assessment had been conducted in October 2020, the amount of fees outstanding would've been small – less than IISL eventually refunded - and so the transfer instruction would have been actioned.
- He said they had both written to IISL and contacted it by telephone, but he said IISL had not suggested that a third-party registration form could be set up, to allow Mr R senior to complete his son's transfer on his behalf.

As no agreement could be reached the complaint was referred 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.

To recap, Mr R had a junior ISA which matured when he reached 18 years of age. Mr R senior was the registered contact for the JISA. However, when Mr R became an adult, Mr R senior could no longer act on his behalf in respect of this account, unless his son specifically gave permission. That had to be done formally and there was a form that could be completed in order to give that permission.

The terms of the JISA said:

15. On the child attaining the age of 18

15.1 The Junior ISA will automatically become an ISA account (or such similar account as is available) at the time the Child reaches 18.

And

15.3 Once the Child's identity has been verified in accordance with applicable money laundering policies at the time, the Child will be able to make withdrawals from the Account. We will write to the Child and the Registered Contact before the Child turns 18 with further details about the new ISA account including, how to withdraw funds or transfer them to a different ISA provider and how the Child can activate their ISA account.

In May 2020 IISL sent an account conversion letter asking for verification of Mr R's identification and enclosing forms. The account holder, Mr R, needed to complete the forms and send the relevant evidence. That documentation wasn't completed and returned, and no permission was provided for a third party to deal with Mr R's account. So, when Mr R senior contacted IISL in September 2020, it was unable to discuss the account with him, or carry out any of his instructions because it didn't have the account holder's permission to do so.

I don't consider that was unfair or unreasonable because Mr R was no longer a minor and as the adult account holder, he needed to give permission for others to act on his behalf. I also don't think it was unreasonable to require that to be actioned by way of a formal written document to try to ensure that it was a valid instruction from the account holder.

I appreciate Mr R senior points out that he wasn't told there was a form his son could complete to authorise him to act on his son's behalf. But I think it was reasonable to expect that upon maturity it would be the adult account holder who would provide instructions. In addition, I don't think it would have been too onerous to look for the form online, or ask IISL what was needed in order for Mr R senior to act on Mr R's behalf. And in any event, I consider that IISL would still have required verification of identification from Mr R.

The terms of the account provided that upon reaching 18 years of age the JISA would automatically become an ISA account and that the account holder's identification would need to be verified before withdrawals could be made. And I note that IISL sent the relevant forms before the account matured to try to obtain that verification.

I consider that IISL acted correctly in sending any forms and correspondence to the registered address it held for the account, until it was properly notified by the account holder of a change of address, and that notification couldn't properly be given until the verification of identification had taken place. So, although I appreciate that made matters difficult, because Mr R was at the registered address infrequently, I don't think IISL did anything wrong in this regard.

I also note that identification verification was something IISL carried out in order to comply with its duties in respect of rules aimed at preventing money laundering. So, I don't think it was unreasonable for it to request some information and evidence and I agree with the investigator that the type of evidence it required wasn't anything unusual.

Delay in accepting information regarding identification verification

However, I note that IISL eventually decided to accept less comprehensive evidence from Mr R, having conducted a risk assessment and noting the value of the account. So, I agree with the investigator that if IISL could take this decision, to accept less comprehensive evidence from the account holder in April 2021, it seems there was no reason why it couldn't have done the same thing in October 2020, when the account holder first contacted IISL.

So, I think it is more likely than not that IISL caused a delay of about six months from October 2020 (when it was initially contacted by the account holder) to April 2021 when IISL decided to accept the information provided by the account holder as sufficient evidence to satisfy its checks.

Fees applied to the account

I don't think IISL acted incorrectly in applying fees to Mr R's account because its stocks and shares ISA charged a monthly fee, so it was entitled to apply those fees until the ISA was transferred to another provider.

IISL has explained that HMRC rules meant that it couldn't put an ISA into a negative balance. So if there wasn't enough within the cash balance to satisfy the account fee, the fee would become outstanding on the account, which is what happened in Mr R's case.

I note it was also able to sell assets to cover the outstanding fees should it decide it was necessary to do so.

Transfer

As the investigator has already set out, a transfer requires the new provider to contact the existing provider with documentation signed by the account holder authorising the transfer. So, relevant documentation would need to be provided and the existing provider would need to be satisfied that the new provider had the account holder's instructions in order to transfer the account.

Mr R senior says that IISL didn't act on instructions to transfer the ISA account which delayed matters and meant that monthly fees were incurred unnecessarily. However, I consider there were some obstacles to the transfer that weren't caused by IISL.

Firstly, IISL wasn't able to take instructions from Mr R senior because he didn't have the relevant authority. Secondly, it wasn't able to take instructions from the account holder because he hadn't supplied the required evidence of identification, requested by IISL in May 2020. And by the time sufficient information had been supplied, in October 2020, fees had already accrued on the ISA account and were outstanding.

I don't think it was unfair for IISL to require fees, that had been properly applied and were outstanding on the account, to be paid before any transfer could take place.

As I have said, I consider IISL was responsible for some of the delay, so I don't think it would be fair for IISL to expect Mr R to meet all of the outstanding fees.

IISL initially offered a £60 refund in fees which was not accepted and then, in July 2021, it credited Mr R's account with £134.90 in respect of some of the fees incurred and it notified him of this by secure message on 19 July 2021.

Shortly after, and in response to his enquiry, Mr R was informed that in order for the transfer to take place the outstanding fees would need to be paid. He was also informed as to how he could do this.

I note that this was a self-managed account, and I am satisfied on balance that Mr R was able to ascertain the level of fees that needed to be paid by consulting his statement or online account information. In addition, Mr R could have asked IISL for further clarification during the exchange of messages if he was unsure.

However, Mr R indicated to IISL that the compensation paid to him wasn't acceptable and I understand this was because he felt that IISL was responsible for all the fees incurred while he was waiting for a transfer to take place.

On that basis, I think it more likely than not, that even if Mr R's information had been accepted by IISL in October 2020, the transfer wouldn't have taken place at that point. IISL may well have agreed to waive *some* of the outstanding fees, but I think it is more likely than not, that there would've still been some outstanding fees to settle, and Mr R would've had to pay those before the transfer could take place.

Refund of fees by IISL

As I have said, IISL credited Mr R's ISA account with £134.90 in July 2021. As the fees charged at the maturity of the account, in June 2020, were £9.99 a month this represented more than a year's fees. So, I consider this represented significantly more than the six-month delay I have concluded was caused by IISL. And for the reasons already outlined, I don't think the six-month delay was the cause of the delay in transferring the account because ultimately any outstanding fees had to be paid before the transfer could take place.

So, I consider the credit made by IISL to Mr R's account was fair and reasonable compensation for not carrying out its risk assessment at an earlier stage and I think it explained in clear terms to Mr R that he needed to settle any outstanding fees before he could transfer his ISA account. On that basis I don't intend to ask it to do anything further here.

Summary

I appreciate that it would have been frustrating to have incurred monthly fees on an account that Mr R wanted to transfer. And I also appreciate that those fees would've continued to be incurred since and may well now exceed the fund value. However, I don't think that IISL acted incorrectly or unfairly with regards to the requirements it made in order to be able to take instructions from Mr R. I do think it could have acted more promptly with regards to its risk assessment however I am satisfied that the compensation it has already paid Mr R addresses that delay and is fair and reasonable in the circumstances.

My final decision

My final decision is that Mr R's complaint against Interactive Investor Services Limited is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 20 March 2023.

Julia Chittenden
Ombudsman