DRN-3537466

The complaint

Mr B complains that Interactive Investor Service Limited ("II") failed to notify him of changes to the cost and related charges associated with his share dealing account.

What happened

In February 2008 Mr B purchased shares in a company, I shall refer to as "Company A". Mr B was also an employee of Company A at that time. The shares were held on a share dealing platform and he was being charged a £10.00 plus VAT quarterly administration fee.

In 2011 Mr B was made redundant. In 2014 his shares were moved to another share dealing platform who charged him a £24.00 quarterly admin fee. In June 2017 it was publicly announced that II would be acquiring the brokerage division of this share dealing platform. Mr B's shares transferred over to II around December 2017. II initially charged a quarterly admin fee of £22.50 in January 2018. II says it emailed Mr B in November 2017 to make him aware of the new terms and rates. In 2019 II further updated its pricing structure to a monthly fee of £9.99. Again, it says it made Mr B aware of this change via email.

In May 2021 Mr B received a letter from II regarding his shares. Following this, he contacted II and obtained access to his online account. Having done so, he discovered a message explaining he was being charged a £9.99 monthly fee.

Mr B raised a complaint to II as he was unhappy that, despite living at the same address since he invested, he'd never received a letter confirming the transfer of his shares to the various share dealing platforms, including II. He was also unhappy that II hadn't send him a letter to confirm the monthly fee he'd been charged. He said his portfolio value was quite small and so there was no benefit in him paying for a service which would reduce the value of his investment. Mr B said had he known about the fees he wouldn't have kept his shares with II.

II looked into Mr B's complaint but didn't uphold it. II said:

- II had merged with the previous share dealing platform and prior to this, the share dealing platform made a business decision to refund the £24.00 quarterly admin fees as a gesture of goodwill. However, this isn't something which II continued to offer upon the merger.
- As part of its obligation to inform customers regarding any updates to the terms of service for their accounts, II sent notifications to all account holders using the email addresses held at that time. And in cases where emails bounced back as undelivered, the updated terms were posted.
- It had sent Mr B an email explaining its takeover of the previous share dealing platform and another email notifying him of the changes to its pricing and new terms.
- Whilst Mr B said that the email address II had on file for him was his old work email address and so he never received the notifications II said it had sent, II said it was his responsibility to keep track of where his shares where held and to keep his details updated.
- II said It hadn't received any non-delivery notifications back when emailing Mr B's

email address and it done so, it would have contacted him via letter.
- It agreed to allow Mr B to withdraw his shares in a certificated form and to withdraw the remaining cash in his account at his own cost.

Mr B decided to certificate his remaining shares at his own cost, but he didn't agree with II's findings and so referred his complaint to this Service for an independent review.

An investigator at this Service considered Mr B's complaint and felt II had acted unfairly. He said:

- Whilst he was satisfied that II's standard method of communication was email and that it did send correspondence to the email address it had on record, he didn't think II had satisfied its regulatory requirement to make Mr B aware of important changes to his account.
- Whilst II said it hadn't received a non-delivery email when emailing Mr B, Mr B had provided evidence to show emailing his old work email does result in an non-delivery email being returned. Given the length of time that has passed since Mr B left his job with Company A, the investigator said he found find it unlikely that this notification would be received in 2022 but not in 2017 and 2019 when II had emailed.
- Regardless of whether II received an undeliverable notification, he said II had a postal address on file and couldn't understand why it didn't contact him via this method, especially considering it decided to do so in May 2021.
- The changes to the terms were especially significant because the fees were deducted directly from the holding in the account. They weren't charged, for example, via a direct debit from Mr B's current account and so without being made aware of them he would have no way of knowing or agreeing to the fees.
- II should have made sure to contact Mr B and make him aware of the updated fee structure in 2017 and 2019. Had it done so, he felt Mr B would have removed his shares from the platform and paid to have them certificated in his name much earlier.
- So to put things right, he directed II to determine how many of Mr B's shares it sold in order to pay the fees since 2017 and reinstate them to his account. And to allow him to decide if he would like to keep them on the platform or withdraw them to be certificated in his name. If Mr B chose to do withdraw then he said II should cover any costs associated with having the shares registered in his name, as he'd already covered this cost once.

II didn't accept the investigator's finding as it said it was Mr B's responsibility to update II with any changes to his contact details and it had given him sufficient notice of the changes.

As such, the complaint has been 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.

Having done so, I agree with the investigator's findings for the same reasons.

The Financial Conduct Authority sets out rules which regulated businesses, such as II, should follow in its Conduct of Business Sourcebook (COBS). COBS 2.2A.2R explains:

> *"(1) A firm must provide appropriate information in good time to a client with regard to:*

(d) all costs and related charges."

II accepts that it has a regulatory requirement to provide Mr B with information regarding its costs and charges, but it says it met this requirement by sending him notifications via email. Whilst II has been able to evidence by way of internal screenshots that it sent the required notifications via email, I've also considered the evidence provided by Mr B. This shows a non-delivery email is received when emailing his old work email address.

Having weighed up both pieces of evidence, I'm persuaded that it's more likely than not that II would have received a non-delivery email when it contacted Mr B in 2017 and 2019 about the changes to its charging structure. I say this as Mr B had left his employment with Company A six years prior to II first contacting him via email and so I find it highly unlikely that his email address would have still been working at that time. Furthermore, whilst the internal screenshots provided by II show that emails where sent, these don't confirm that they were successfully received. So I don't think II has followed its own process for when it receives a bounce back and so it hasn't treated Mr B fairly.

II had a postal address on file for Mr B and it communicated this way with him following a call he had with it in May 2021. This begs the question why II didn't contact him by letter to ascertain whether he'd received the notifications regarding the changes to costs associated with his account. Afterall, II was aware that he'd never logged on to his account online but continued to communicate with him via secure message which prompted an email message to be sent.

The changes to Mr B's account were significant, especially considering the original quarterly fee and then monthly fee were being deducted directly from his shareholding. I understand II says Mr B was always charged a fee by the previous share dealing platforms, however, the fees II charged were much higher than he'd originally accepted when initially purchasing his shares. And II had received no communication from Mr B to demonstrate that he'd accepted these higher costs. Nor was there any implied acceptance, such as him logging on to his account or making any trades. So overall, I'm satisfied II failed to notify Mr B of all the costs and charges associated with his account.

Putting things right

When Mr B originally purchased his shares, he accepted that he would be charged a £10.00 plus VAT quarterly admin fee. This increased to a £22.50 quarterly admin fee in January 2018 when his shares were transferred to II. Mr B says he would have certificated his shares as soon as he was made aware of the increased charges. Considering the increase was more than double than what he was originally paying I think it's likely he would have certificated his shares prior to the increase in the fee in January 2018. In which case, he would never have had any of these fees or the monthly fees of £9.99 introduced in 2019 deducted from his shareholding.

So to put things right I direct II to determine how many of Mr B's shares it sold from January 2018 onwards in order to pay the fees and reinstate these shares to his account. It should then cover any costs associated with having them certificated in his name. I say this as he's already paid to have his remaining shares registered in his name and had he been made aware of the fees earlier, I'm satisfied he would have certificated his full shareholding at once.

My final decision

I uphold the complaint for the reasons I have set out above. Interactive Investor Service Limited must put things right for Mr B as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 29 August 2022.

Ben Waites
Ombudsman