

The complaint

Mr S complains that IG Markets Limited prevented him from taking up a share alternative following an enhanced scrip dividend announcement.

What happened

Mr S has a share dealing account with IG Markets. He has a holding of shares in a company I will call "H". In November 2020, H announced an enhanced scrip dividend. Mr S contacted IG Markets and specifically asked to take up the alternative offer, as the enhanced scrip dividend was worth ten times more than the cash dividend.

IG Markets said it wasn't able to process any scrip dividends and so Mr S couldn't take up the alternative offer. Mr S complained. IG Markets offered Mr S £300 for the frustration but explained that it couldn't process the enhanced scrip dividend option on its platform so Mr S couldn't take this alternative share offer.

Mr S referred his complaint to the Financial Ombudsman Service. He said that he received the cash dividend which was worth significantly less. He's lost out on around £1,314 as this would be the difference between what he got, and what his new shares would've been worth. Mr S, in his correspondence said he'd either like the shares or the difference.

Our Investigator upheld this complaint. They explained that the terms of Mr S's account mention that IG Markets may offer scrip dividends and it doesn't say, at any point, that it can't do that. They said that it's likely Mr S would've held his shares elsewhere had this been clear and so, as it can't facilitate the enhanced scrip dividend, it should compensate Mr S for the financial loss he's experienced as a result. The Investigator felt the £300 compensation for the frustration was fair and reasonable.

IG Markets responded to say that it didn't think it was fair to be penalised for something it couldn't offer. It asked for an Ombudsman to reach 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'm upholding this complaint. I'll explain why.

H announced an enhanced scrip dividend. This was worth ten times more than the cash dividend so it was understandable that Mr S wanted to elect to take this offer. IG Markets has said it cannot process scrip dividends. I can understand this, and it's not my place to tell IG Markets what it should and shouldn't offer. However, if it can't do something, it should make that clear to its customers.

IG Markets' terms and conditions say:

"We are not obliged to but we may offer you any dividend reinvestment plans

available or any scrip option or stock dividend offered for Instruments that we hold on your behalf. However, any such decision will not take account of your personal tax position. Generally you will receive the cash default option."

From this I can see IG Markets isn't obliged to offer Mr S the enhanced scrip dividend. But it doesn't say anywhere that it *cannot* offer it. I think this would've been a key consideration to Mr S choosing a share dealing account. Enhanced scrip dividends are often worth significantly more than cash dividends, and whilst they may be rare, I think it's important that Mr S knew this couldn't have been an option with this account. But the terms don't give this impression.

It's also important to note that Mr S could reasonably expect IG Markets, as nominee of his shares, to have acted in his best interests. So, if it was able to offer scrip dividends, I'd have expected it to have thought about Mr S's request to take the enhanced scrip dividend as it was worth so much more to him and was clearly in his best interests. So, by not making it clear that this was not an option in its terms, I don't think it's treated Mr S fairly. I think it's likely Mr S would've held his shares elsewhere if there was no option to take part in corporate actions which would leave him potentially far better off. So, I think IG Markets needs to compensate Mr S for the loss he's incurred as a result.

IG Markets did acknowledge that Mr S was left frustrated by the issue and offered him £300 compensation. I think this is fair and reasonable for the trouble and upset it caused.

Putting things right

Ordinarily I'd suggest putting Mr S in the position he'd have been in had he been able to elect the enhanced scrip dividend. However, Mr S has said, to settle the complaint, he'd accept the difference in value of the cash dividend and the enhanced scrip dividend rather than adjusting his shareholding. As such I direct IG Markets Limited to do the following:

- Pay Mr S the difference between the value of the cash dividend and the value of the enhanced scrip dividend had he taken it in relation to all of his shares he held in November 2020.
- If it hasn't already done so, pay Mr S the £300 compensation it offered for the trouble and upset it caused him.

My final decision

For the reasons I've explained, I uphold this complaint. IG Markets Limited must follow the instructions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 September 2022.

Charlotte Wilson
Ombudsman