

The complaint

Mr W complains Interactive Investor Services Limited (“IISL”) unnecessarily delayed his application to transfer his ISA to a third-party provider. As a result, he says he lost the opportunity to invest and asks to be compensated for that loss.

What happened

I set out my findings in an earlier provisional decision, for clarity I repeat it here.

Mr W held significant savings within an ISA with IISL.

Following some frustration with an earlier partial transfer to a third party, Mr W decided to transfer the remainder of his ISA holding to a third-party provider, I’ll call “F”.

The instruction to transfer was received by IISL on 13 May 2021 but the transfer wasn’t completed until November 2021.

Following repeated requests for updates and clarification, Mr W complained to IISL.

In its final response dated, 6 October 2021, IISL upheld Mr W’s complaint. It explained it had given incorrect information to “F” as it mistakenly confused an earlier transfer with this one.

As a result, “F” had been on a wild goose chase looking for a transfer to them that hadn’t actually been made resulting in protracted and unnecessary delays. It apologised and offered £125 compensation for the trouble and upset caused by the delays, but it didn’t accept it had caused Mr W a financial loss. It said that Mr W could have continued to trade if he wished on its platform and as Mr W hadn’t specified what trades he wished to undertake it didn’t feel it could compensate for hypothetical trades or potential gains from them.

Dissatisfied, Mr W brought his complaint to this service.

An investigator looked into things for Mr W. IISL acknowledged it had made errors that caused unnecessary delays. After discussion, whilst it remained steadfast in its view that it wasn’t responsible for any financial loss to Mr W, it agreed to increase the compensation for the trouble and upset caused to £300.

The investigator upheld Mr W’s complaint and felt the revised offer of compensation was a fair and reasonable settlement in the circumstances of this complaint.

Mr W disagreed. He felt had the transfer gone ahead in a timely manner he would have gained somewhere in the region of 5% on his investments and as such he felt the offer of £300 was a derisory amount. He asked for an ombudsman review.

In my provisional findings I pointed out, I was aware Mr W had raised two complaints with this service. I explained I was only considering whether the actions of IISL were fair and reasonable with regard to the partial ISA transfer application to the third-party provider “F”. I said where there’s conflicting information about the events complained about and gaps in what we know, my role is to weigh the evidence we do have and to decide, on the balance of probabilities, what’s most likely to have happened.

I also said I’d not provided a detailed response to all the points raised in this case. That’s deliberate; ours is an informal service for resolving disputes between financial businesses and their customers. While I’ve taken into account all submissions, I’ve concentrated my findings on what I think is relevant and at the heart of this complaint.

I noted that neither party disputes that things went wrong, nor broadly what those problems were. So, there’s little to be gained from rehearsing matters again here. The difference between IISL and Mr W is what needs to happen to put things right. So, I said that would be the focus of my decision.

I explained my starting point here, is to look at the error itself, the impact it had on Mr W, the effort IISL went to minimise the impact and the actions it took afterwards.

It's probably important to say that Mr W had already, in his view, suffered poor service and delays in the partial transfer of his ISA funds, so he was already frustrated and had lost confidence in IISL. In fact, that is the very reasons he decided to start the process of transferring his remaining ISA funds to "F". He began that process in May 2021, but the transfer application wasn't successfully processed until November 2021, some 5-6 months later.

I said Mr W was entitled to a good standard of service from IISL, in my view it could and should have taken steps to look into what was the problem here much sooner than it did. That said, I pointed out it is extremely difficult to determine what action Mr W would have taken in terms of investment after transferring his ISA. Having looked at his transaction history I said I thought it fair to say he would have made some investments, but equally he has said his intention was to drip feed rather than invest in a single lump sum due to the volatility of the market. I said I accepted he feels he may well have made different investments had the transfer gone ahead earlier, but again we are back into the realms of hindsight and possibilities. I said there is simply no way to establish whether any gains or indeed losses would have been made on transactions that did not take place.

But I said I was persuaded that the extended unnecessary delays did add to Mr W's increasing frustration and continued for at least 5 months longer than IISL's SLA's and on that basis, I don't agree that the offer of £300 is fair and reasonable compensation.

In considering what I consider to be reasonable compensation for the acknowledged delays Mr W experienced I should point out the awards made by this service reflect the informal nature of the service as an alternative to court. That said there are lots of exacerbating factors in this case.

The delay in carrying out the transfer request lasted for a considerable period of time, with no updates, information or contact by IISL despite constant chasing by Mr W

The transfer sum was a considerable amount of money, around 200k. So, I believe Mr W when he says that this delay on such a large portion of his money was causing him considerable distress at the time.

I'm also satisfied that Mr W would likely have decided to invest during that time, even if it isn't now possible to say when or what he would've bought, nor whether he would've made a return. But he was deprived of this opportunity to trade through no fault of his own, and that has clearly also caused him distress and inconvenience for which I'm persuaded he should be compensated.

So, for these reasons, I concluded that £750 is fair and reasonable compensation and I said I intended to ask IISL to increase the award for the trouble and upset caused.

Both Mr W and IISL responded to my provisional decision.

Mr W remained dissatisfied with the increased offer of compensation, in his view this still does not reflect the trouble and upset and potential gain he could have secured if IISL not delayed the transfer of his investment.

IISL remained of the view the compensation it offered initially was fair and reasonable. It said Mr W was free to trade at any time and so didn't agree that an increase was warranted.

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 haven't been presented with any new evidence to dissuade me from my earlier findings.

In this case there is no dispute there were unnecessary delays in the transfer of Mr W's investment and this was a significant investment. This dispute between the parties is with regard to what level of compensation is fair and reasonable in the circumstances of this complaint – Mr W wants more and IISL feel that what they have already offered is fair.

I have considered all the information, and for the reasons I have given I think IISL should have done more to minimise the delays and I can't see that it did so. It exceeded its own SLA's by more than 5 months, and I find that an unacceptable and unnecessary delay.

I cannot make awards on hindsight or possibilities as I have said, but I am persuaded Mr W was subject to unnecessary distress and inconvenience the impact of which could have been minimised, and IISL failed to do so and should compensate Mr W accordingly.

It follows that I remain of the view set out in my earlier provisional decision.

My final decision

For the reasons I have given I direct Interactive Investor Services Limited to:

- Pay Mr W a further £625 in addition to the £125, which I understand has already been paid to Mr W, in recognition of the trouble and upset this matter has caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 7 December 2022.

Wendy Steele
Ombudsman