

## **The complaint**

Mr B complains about Novia Financial Plc, referred to as “Novia” or “the business”.

In short, he’s unhappy about the time taken to open his linked Stocktrade account and transfer funds. As a consequence, Mr B would like compensation for losses claimed.

## **What happened**

The business didn’t uphold the complaint. In summary, it said:

- On Thursday 22 April 2021, it received the Stocktrade application. Five working days later, on Thursday 29 April 2021 it actioned the application and requested further information by email, which it received the same day.
- By Wednesday 5 May 2021, three working days later, the application was completed and sent to Stocktrade – the funds then arrived and were applied to the wrapper.
- The next day, on Thursday 6 May 2021, it received confirmation from Stocktrade that the account was set up.
- On Wednesday 12 May 2021, four working days later, Stocktrade’s details were added to the wrapper.
- Two working days later, on Friday 14 May 2021, it processed the Stocktrade cash adjustment which initiated the transfer of the money.
- Two working days later, on Tuesday 18 May 2021, the Stocktrade cash adjustment was completed by Stocktrade and trading was possible.
- Whilst its operations team strive to complete each activity as quick as possible, it has a five-day Service Level Agreement (“SLA”) for each stage of the process which it complied with, even though it was a busy period whilst processing the application.
- Its platform and/or services aren’t designed to enable advisers or customers to ‘time’ the market, so it’s not liable for any missed opportunity. It’s satisfied that it didn’t unnecessarily delay the opening of Mr B’s linked Stocktrade account and therefore it can’t uphold the complaint.

One of our investigators considered the complaint and thought it should be upheld. Although there’s been much correspondence between the investigator and the business, in summary, he made the following key points:

- He’s concerned about the SLA and the five-day (maximum) time period allowed for each stage of the Stocktrade account opening and funding process.
- Without it being published, he can’t endorse the SLA and its five-day time limit.
- He’s also confused as to the explanation behind why there is ‘up to five days’ for each element to be completed, rather than an overall timeframe within which to complete the whole process – in other words, a set number of days within which to open and fund the Stocktrade account as a whole.
- Based on what the business says about the SLA, it could (potentially) take more than 40 days to open and fund an account. He’s aware that this didn’t happen in this case, but nevertheless, he still thinks the five-day SLA is unreasonable.
- He appreciates it was a busy period but given the sort of time it would normally take

the business to open and fund a Stocktrade account, he doesn't think it behaved reasonably in this instance.

- The terms and conditions state: *"We will use our reasonable endeavours to process an application for a Product Wrapper within 5 working days of our receipt of all required information and documents..."*
- In this instance, all the information was received by 29 April 2021, but the account wasn't opened until 12 May 2021. The funds were supposed to be sent by 13 May 2021 – as confirmed in the email dated 13 May 2021 – but this wasn't done until 14 May 2021.
- He's asked the business to conduct a price/unit comparison between the number of units Mr B purchased on 18 May 2021, and what he could've purchased on 13 May 2021, had nothing gone wrong.

The business didn't agree with the investigator's view. In short, it said:

- The 'average' amount of time taken to process this sort of application is 'eight working days' – comprised of the following:
  - Three-day turnaround for processing the application, two-day turnaround at Stocktrade, and another three-day turn around for actioning the confirmation from Stocktrade and registering the account on the wrapper.
  - It would expect subsequent cash adjustment to be processed within three to five days.
- Stocktrade is the provider of the stockbroker account that's offered by Novia. The service is operated by Stocktrade and the client or adviser will manage their account with Stocktrade directly.
- The account is held within a client's General Investment Account (GIA) – which is also the product wrapper. Novia facilitates the transferring of funds between the GIA and Stocktrade account.
- In this instance, Mr B was applying to open a Stocktrade account within the GIA, so the term referred to by the investigator doesn't apply. The opening of the Stocktrade account is covered by sections '7.3', '7.5' and '7.7' of the terms and conditions which also makes clear the process and some of the timescale.
  - In respect of the email dated 13 May and sending the payment to Stocktrade, as per section 7.7 of the conditions this process can take up to three days to clear.
- The actions by Stocktrade are processed separately to Novia, and as such, have a separate SLA.
  - For example, Novia has five working days to process the correspondence for the Stocktrade application with the client's GIA (in this case completed on 05/05/21), Stocktrade then has five working days to process the application at its end and confirm the account is set up (completed 06/05/21). Novia's operations will then have five working days to register the new Stocktrade account to the client's wrapper (completed 12/05/21).
- Whilst it aims to process applications faster, the SLA – and its agreed maximum timescale – allows it up to five days for each stage.
- It believes that it would be reasonable for Mr B – given his position and experience – to be familiar with the SLA and the process.
- It acknowledged that there had been an issue, but this was resolved within the SLA to enable the account to open. In other words, on 13 and 14 May it apologised to Mr B as a courtesy given his position, but it didn't accept any fault or liability.
- Although it doesn't publish the SLA, it considers compliance with it when dealing with any complaint and having done so can't agree it has done anything wrong.
- It was a very busy period, and it dealt with Mr B like any other client – even though he communicated with individual's in Novia's operations team, directly.

- Whilst it hasn't met Mr B's expectation, it met its own expectations that Mr B would've been familiar with.
- It agrees 40 days would be '*extreme without justification and much longer than it would expect*' – but Mr B's request was processed within a reasonable amount of time.

Mr B also disagreed with the investigator's view and asked for an ombudsman's decision. In summary, he made the following key points:

- The business' response flies in the face of any reasonable expectation of execution, especially as SLAs aren't in the public domain.
- Novia received his application form on 29 April, but he was unable to trade again (as per their commitments) until 18 May – which is unacceptable given the state of the market.
- As SLAs aren't published, he had a reasonable expectation in respect of the timeframe. SLAs sound more like an internal target than a way to judge their performance by.
- Up to five days to complete each element of the process seems unreasonable. Five days should be for the entire process – not each element. He would expect to have been able to invest on 6 May 2021.
- He doesn't think it's fair that he's having to wait five days for an action to take place by Novia, for it to take a further four days once it received confirmation, and then another two days.
- The above indicates that the business lacks process controls or resource to be able to deal with his request within a reasonable amount of time.
- As a customer paying a management fee, he's the one suffering.
- He knows that the process can be completed within 48 hours.

As no agreement has been reached the matter has been passed 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.

Having done so, I agree with the investigator's conclusion for much the same reasons. I'm going to uphold this complaint.

On the face of the evidence, and on balance, despite what the business says, I'm unable to safely say that the business behaved reasonably in terms of the time taken to action Mr B's request – therefore, I think the complaint should be upheld.

In the circumstances, and on balance, I think the redress recommended by the investigator is broadly fair and reasonable.

I'm mindful that notwithstanding the "SLA", based on what the business says, it usually takes around 'eight working days' to process an application of this kind. But in this instance, I'm aware that it took the business *longer (almost double)* that time. In other words, I note by 22 April 2021 the business had received the instructions from Mr B, by 29 April 2021 it had all the information it needed but the process wasn't complete until 18 May 2021 when Mr B could trade again.

Based on what the business says, I'm aware that it was a busy time and that the business isn't in control of the entire process, so despite what Mr B says I think it's unlikely the

process should've completed between 48 hours and six days - regardless of whether it had done so in the past.

In this instance I don't think Mr B had a specific date by which he wanted to trade. Even if he did, I'm satisfied that this wasn't something that the business could accommodate. However, I'm persuaded that he wanted to trade as soon as his instructions had been successfully completed. I'm also mindful that the business gave Mr B no guarantees.

However, the above notwithstanding, on balance I don't think Novia's explanation justifies why Mr B's request wasn't completed sooner, and neither does the SLA that it seeks to rely upon to justify its conduct in this case. In other words, I don't think the business giving itself five working days to complete each stage of the process – and concluding that it has operated within its own expectations – means that it has behaved reasonably. On the face of the evidence, and on balance, I'm not persuaded that it has.

I'm mindful that in line with the SLA – regardless of whether, or not, Mr B was aware of it – the business can (in theory) justify taking up to 40 days to complete a request, which I don't think is at all reasonable. The business seems to accept this as it agreed with the investigator that this was without justification yet still seeks to argue the SLA is reasonable. In light of this I don't think the SLA provides a reasonable basis upon which to justify its actions.

On balance, I'm not persuaded that the process couldn't have completed sooner but for the issue(s) at the Novia end, for which I think it's responsible. In this instance, I've seen nothing to suggest that there were any issues with Stocktrade.

I note on 13 May 2021, Mr B was told that the money hasn't gone through – it's still in the window for the funds to be sent – and that this might be because *"the stocktrade reference has been added to one area of Composer and not the other so the Stocktrade Cash holding doesn't know what account to apply the funds to once traded."* Mr B was also told that this was an administrative 'holdup' and will get sorted so that the funds will be with Stocktrade 'tomorrow'. Despite what the business says, about its SLA and its terms and conditions, it's still not clear why the money wasn't ready for Mr B to trade by this date.

I note in response to the above email, Mr B said: *"Big shame because today was clearly a buying opportunity"*. Had his request been successfully completed, I think it's more likely than not he probably would've traded that day. I note that he says he only requested a price comparison the next day after the FTSE 100 moved approximately 2%, compared to when he (purportedly) could've purchased the shares the day before.

I also note on 14 May 2021 he said that he tried to make a purchase, but the money still hadn't arrived. And having spoken to the business, and with Stocktrade, he noted that one of his investments had bounced 2.75%.

I note the business subsequently also confirmed that the funds were in 'ST cash' but the person wasn't sure how long ST would take to reconcile the cash upon receipt. He also confirmed the following:

*"CASS did send the funds by CHAPS. Everything was showing as I would have expected in Composer just after 1pm. Have to apologise though Mr B (name anonymised) CASS have told me they have only approved CHAPS payments in the last 30 mins which is why you haven't seen it visible in the ST account today. The funds will be received by ST today but it really is subject to their own reconciliation before its tradeable in the ST account."*

On the face of the evidence, and on balance, I think the investigator's proposed redress in the instance is broadly fair and reasonable – it takes into account the busy period but also the business's shortcomings, and allows the business roughly 12 working days – several working days less than it took – within which to have successfully completed Mr B's request.

In the circumstances, and on balance, by way of redress, I think the business should conduct a price/unit comparison between the number of units Mr B purchased on 18 May 2021, and what he could've purchased on 13 May 2021, had there been no issues. And if there is a negative difference, it should refund those units.

### **Putting things right**

Novia Financial Plc should conduct a price/unit comparison between the number of units Mr B purchased on 18 May 2021, and what he could've purchased on 13 May 2021. If there is a negative difference, the business should reimburse the difference in the number of units.

### **My final decision**

For the reasons set out above, I uphold this complaint.

Novia Financial Plc should work out and pay redress 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 20 February 2023.

Dara Islam  
**Ombudsman**