

## The complaint

D complains that IG Markets Limited didn't allow it to take the share alternative following an enhanced scrip dividend announcement. D wants compensation for the loss it's made in not being able to take the shares.

D is a limited company and its director, who I will refer to as Mr P, brings the complaint on its behalf.

## What happened

D has an execution only dealing account with IG Markets and has a holding of ordinary shares in a company which I will refer to as "H". On 11 November 2020, H announced an enhanced scrip dividend. Mr P contacted IG Markets because he wanted to elect to take the scrip alternative on D's behalf.

IG Markets told him it didn't offer scrip dividends and that D would receive the cash dividend. It said it had acted in line with its terms and conditions which say, "*Generally you will receive the cash default option*". And that Mr P was made aware of this when he called to try to give alternative instructions.

Our investigator didn't recommend that the complaint should be upheld. She concluded that it was up to IG Markets to decide whether to take the cash or share dividend and that D should have been aware of that, from the terms and conditions, when it opened its account.

D didn't agree so the complaint was passed to me.

## *My provisional decision*

I thought the complaint should be upheld and I explained why. I said:

H announced an enhanced scrip dividend. 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."* (11 (5))

I don't find there was any obligation under the agreed terms for IG Markets to tell D about the enhanced scrip dividend, or to seek its instructions. It was for IG Markets to decide whether to take the dividend in cash or scrip. And the terms say it will generally take the cash option, which is what IG Markets did in this case.

But, whilst I find IG Markets acted in line with the agreed terms and conditions, I need to think about whether IG Markets treated D fairly in the circumstances here. Particularly, taking into account FCA rules which say a business shouldn't seek to exclude or restrict its regulatory obligations to comply with its clients' best interests.

The scrip alternative announced by H was a particularly attractive option, being worth ten times more than the cash dividend. And, whilst the terms and conditions allow IG Markets to act in its discretion, I think D would reasonably expect it to also act in D's best interests. It was also clear from Mr P's contact with IG Markets on or around 27 November 2020 that D wanted to take the scrip alternative because it was worth so much more.

Considering all the circumstances here, I think IG Markets should compensate D for the loss it made in not taking the scrip alternative, reflecting its duty to act in accordance with the best interests of its client.

And I explained how I thought D should be compensated. I said:

I would expect IG Markets to put D in the position it would have been in if it had taken the scrip dividend on its behalf. It should credit D's account with the number of H shares it would have received. D wouldn't have received the cash dividend. IG Markets can arrange to claim this back from D should it choose to do so.

#### *Responses to my provisional decision*

D responded to say that it had sold its entire holding of H shares on 3 August 2021, receiving 37.15p per share. It would like compensation in cash, using the sale price it would have received, plus interest.

IG Markets said it couldn't facilitate scrip dividends. It said it was unreasonable to award compensation for a service it can't offer, and doesn't claim to offer.

#### **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.

IG Markets says it can't facilitate scrip dividends and it doesn't claim to. As noted in my provisional decision, its terms and conditions say it may offer a scrip option. I don't find IG Markets made it clear to D when it entered into the agreement that IG Markets would not be able to take a scrip option on its behalf.

In the circumstances, IG Markets should compensate D for the loss it made in not taking the scrip alternative, reflecting its duty to act in accordance with the best interests of its client.

#### **Putting things right**

In my provisional decision, I said IG Markets should credit D's account with the number of H shares it would have received. But D provided evidence to show it sold its holding of H shares on 3 August 2021. Had it received the enhanced scrip dividend, I think it's more likely than not that it would have also sold these shares on 3 August 2021. I think it's fair that IG Markets pays D what it would have received if it had received the enhanced scrip dividend and sold those shares on 3 August 2021 at 37.15p each.

IG Markets should pay interest on this amount at the simple rate of 8% per year from 3 August to the date it makes the payment because D has been without that money for this period.

IG Markets can deduct the cash dividend D received from the amount it pays D.

**My final decision**

My final decision is that I uphold this complaint. IG Markets Limited should pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 11 October 2022.

Elizabeth Dawes  
**Ombudsman**