

The complaint

Ms W complains that Interactive Investor Services Limited (“IISL”) purchased the wrong shares for her. She says, if she’d known she couldn’t buy shares in the company she wanted, she would have taken further advice and purchased the bond.

Ms W’s complaint is about what happened when her account was held with The Share Centre. IISL acquired The Share Centre in February 2021 and it is responsible for her complaint. For ease, I’ll refer to the business as IISL throughout my decision.

What happened

Ms W has an execution only share dealing account with IISL. In 2018 she received advice from a friend to invest in London Capital and Finance Plc (“LCF”). She phoned IISL to place an order to invest £10,000 in the company.

The dealer couldn’t find LCF on IISL’s system. After further checks he said, “*we have them down as London Capital Group Holdings*”. He checked the price with Ms W, and she confirmed she wanted to trade at best. The dealer invested £10,000 in London Capital Group Holdings (“LCGH”) – a different company to the one Ms W wanted to invest in.

Ms W received a contract note confirming she’d purchased LCGH ordinary 5p shares but, because of the phone conversation, she assumed she’d invested in the correct company.

LCF went into administration in January 2019 and around a year later the Financial Services Compensation Scheme (“FSCS”) declared LCF had failed.

LCGH also went into liquidation in July 2020.

Ms W, assuming she held LCF shares, tried to apply for compensation through the FSCS. It was during this process that she was told she didn’t have any investment in LCF and, on further investigation, she realised she was invested in the wrong company.

She said that, if she’d known there were no shares available to purchase in LCF, she would have invested in its corporate bond; and that, as a bond holder, she would have received compensation from the FSCS.

She didn’t receive any compensation for her holding of LCGH shares.

IISL said Ms W wrongly informed it of the investment she wanted to buy. After the complaint was referred to us, it offered Ms W £100 to settle the complaint, which she declined.

Our investigator recommended that the complaint should be upheld. He concluded IISL had made an error and that it had purchased the wrong shares for Ms W. He thought, had IISL given Ms W the right information, she would have gone elsewhere to invest in an LCF bond. LCF bondholders are due to receive 80% of the amount invested, less 10% costs, so the investigator thought it fair that IISL pay Ms W £7,000.

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

My provisional decision

I agreed with the investigator that the complaint should be upheld, and I explained why. I said:

Ms W wanted to invest in an 8% corporate bond issued by LCF. This was a "mini bond" which was available to purchase through LCF. It wasn't available to purchase through IISL.

Ms W wasn't familiar with corporate bonds – and didn't know she couldn't purchase the LCF bond through IISL. When she phoned IISL on 20 April 2018, she told it she wanted to invest £10,000 in LCF. I think she made it clear that she wanted to invest in LCF – she repeated the name several times and she provided a phone number which, when typed in a search engine, brings up several results linked to LCF.

IISL couldn't find LCF on its system. It found LCGH instead and wrongly assumed it was one and the same as LCF. The dealer told Ms W, "*We have them down as LCGH*" and that "*It sounds like the right one. It looks like the right one*". When Ms W gave IISL LCF's phone number, the dealer said, "*That looks like the right company. It matches up with the name on our system*".

It's clear IISL made a mistake. It wrongly thought LCF and LCGH were the same company.

When a business makes a mistake, we would expect it to put things right. But I've firstly thought about whether Ms W could or should have realised, earlier than she did, that a mistake had been made.

IISL was providing an execution only dealing service and it was Ms W's responsibility to research the investment before she proceeded. But she made it clear what company she wanted to invest in, and I think it was reasonable for her to rely on IISL's conclusion that it had found the correct company.

She wanted to invest in a bond. The contract note she received made it clear she'd invested in ordinary shares. But it's clear – both from the recorded phone call and from what she's told us – that she wasn't familiar with corporate bonds and hadn't invested in them before. She told IISL the investment paid 8% quarterly, but when IISL asked if that was dividend Ms W wasn't sure. I'm persuaded that, when she received the contract note, she reasonably thought she'd made the investment she wanted to – because IISL had assured her that LCF and LCGH were one and the same. And that she didn't understand the difference between bonds and shares.

I think it's clear from Ms W's actions after LCF went into administration that she thought that was the company she'd invested in. And I think in the circumstances she reasonably didn't realise a mistake had been made until the FSCS told her she wasn't invested in LCF.

I've found IISL made a mistake. I've gone on to think about what Ms W would have done differently if she hadn't been given the wrong information by IISL.

Ms W says that, if the dealer had told her LCF hadn't issued any ordinary shares, she would have realised it was the bond she wanted to buy, and she would have

arranged to invest in the bond. And that, as a bondholder, she would have received £7,000 under the FSCS's arrangement.

I've considered this very carefully. I can't conclude exactly what Ms W would have done if IISL hadn't made a mistake. It's clear she wouldn't have invested in LCGH. I think it's more likely than not that she would have sought further advice from her friend, or phoned LCF. And that, on the balance of probabilities, she would have invested £10,000 in the LCF corporate bond, as she'd intended.

I agreed with the investigator that IISL should pay Ms W £7,000, being the amount she would have received from the FSCS if she'd have purchased the LCF bond.

But I also thought Ms W should be compensated for the inconvenience she'd been caused in communicating with the FSCS, as I thought this inconvenience was linked to IISL's initial error. I thought £150 was fair and reasonable in the circumstances.

Both parties agreed with my provisional 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.

As both parties agreed with my provisional decision, and haven't provided any additional information, I find no reason to depart from my earlier conclusion.

Putting things right

The investigator set out the compensation arrangements for LCF. And I agree with his conclusion that IISL should pay Ms W £7,000. This would be the amount she'd have received from the FSCS if she'd have purchased the LCF bond. I'm satisfied that her holding of LCGH shares has no value and that she won't receive compensation for the shares she holds – so there's nothing to be deducted from the £7,000.

Ms W has spent a considerable amount of time communicating with the FSCS and I think it's fair IISL compensate her for the inconvenience she's been caused, as in my view this inconvenience is linked to IISL's initial error. I think £150 is fair and reasonable in the circumstances.

My final decision

My final decision is that I uphold this complaint. Interactive Investor Services Limited should pay Ms W compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 13 October 2022.

Elizabeth Dawes
Ombudsman