

The complaint

Mr R complains that Freetrade Limited provided misleading pricing information and failed to meet its best execution obligations for some trades on his account.

What happened

On Friday 6 March 2020 Mr R purchased 302 shares in iShares Gold Producers ETF through his Freetrade account, at a price of £9.9197 per share. The following Monday, 9 March 2020, he attempted to sell the holding. Freetrade's system showed an indicative sell price of £11 per share but despite Mr R making numerous attempts, orders to sell 302 shares kept failing.

After nearly an hour, with the indicative price still showing as £11, Mr R attempted to sell part of the holding and at 9:23am a sale of 100 shares was completed at a price of £9.3311 per share, followed by a further two sales of 100 and 50 shares at £9.3327 and £9.3226 respectively.

Having received prices far below the indicated £11, Mr R complained to Freetrade that the orders hadn't been executed in a transparent manner, nor in accordance with its terms regarding best execution. Freetrade apologised but explained that due to the extreme volatility in the market that day no market makers had been providing acceptable quotes for the full holding during the period he'd initially been trying to place the order.

The complaint was referred to this service but having considered the circumstances our investigator concluded it shouldn't be upheld. He said, in brief;

- The terms of agreement with Freetrade stated that the price at which an order executes might be different from that shown on the website or app – the 'indicative' price, which was based on the last price at which a stock had traded.
- When an order completed the price achieved should, however, be the best available, in line with Freetrade's execution policy. And having checked the 'tick data' pricing information for the period in question it appeared that the prices eventually obtained for Mr R were in line with this.
- The problems Mr R had experienced had occurred on a day where the market was demonstrating exceptional volatility due to unprecedented circumstances. And this went some way towards explaining the delay in being able to obtain successful execution.

Mr R responded to say that he didn't feel that the investigator had addressed the crux of the complaint. He stressed his concern that Freetrade's system had failed to update the indicative price for almost an hour – not every 15 minutes as the information it displayed in the app would suggest – and this meant that he was left unable to make an informed decision about whether to place orders. Mr R was of the view that more accurate pricing had been available to Freetrade and should've been provided.

The investigator wasn't persuaded to change his view, as he remained satisfied it was made clear the price shown in the app was indicative and not a guarantee of what would be

achieved. So, as no agreement could be reached, the matter's been referred to me to 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.

I think it's fair to say that the crux of Mr R's complaint is not the way in which the orders were eventually executed on 9 March 2020, or the price achieved. In that respect, the three orders do appear to have been executed prices reflecting the relevant tick data for the time period in question – although I recognise they were prices well below what Mr R was hoping for.

Mr R's primary concern is with the information provided by the Freetrade app *prior* to execution, during the hour in which he was initially trying to sell 302 shares. He says that when he first started trying to place orders the indicative price displayed was £11 and it remained so throughout the period in question, up to and including when his orders were eventually executed at well below that price. This is despite the Freetrade app showing that the price was delayed by 15 minutes and would be updated.

Mr R accepts that the price displayed prior to submitting an order is 'indicative' – in other words, a guide price designed to give a picture of what the market is doing and an idea of the price the stock in question is trading at. But he feels that there comes a point at which, despite not being presented as a guarantee, there is nevertheless a reasonable expectation that the indicative price is based upon some properly informed estimation of what the stock price/market is doing. In short, if the price is so out of kilter with what is actually happening then it becomes misleading.

I agree that if there had been some error made by Freetrade that morning and the price displayed had been manifestly incorrect – for instance, the price of a different stock, or the previous week's data accidentally reloaded, then I'd be likely to conclude that it was responsible for misleading Mr R.

But I've not seen that there was such an error made. Rather, it seems that Freetrade's system was working as it should but in the context of unprecedented circumstances, low volumes of trades and high levels of volatility. The very fact that Mr R was unable to successfully place the original order for so long is, I think, reflective of the very unusual trading conditions of that day. Markets around the world were falling significantly in response to the developing Covid pandemic. The Dow Jones Index saw its largest ever fall.

Mr R has said that at the time he was trying to trade the app was indicating that prices were delayed by 15 minutes, but there was no apparent change for much longer than this. And this suggests that the system wasn't functioning correctly. But there was nothing in Freetrade's terms that confirmed how frequently the price would be updated. And even if further updates had been received from the third party that was supplying Freetrade with its data, in the manner set out in the terms, there's no guarantee that any update would've been a more reliable indicator of what price might actually be achieved.

In summary, to uphold Mr R's complaint I would need to be satisfied that Freetrade had acted incorrectly or unreasonably in provided its service to him. But I'm not persuaded that is the case. Freetrade acknowledged in its final response to Mr R that the situation he encountered on 9 March 2020 wasn't ideal. But, on balance, I think it was a manifestation of the unprecedented circumstances of that day as opposed to any mistake on the part of Freetrade.

My final decision

For the reasons given, my final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 26 January 2023.

James Harris
Ombudsman