

The complaint

Mr M complains about Rowan Dartington & Co. Limited (RD) as he's unhappy with the level of service they've provided him with in a number of areas.

What happened

Mr R held a portfolio with another firm (B1). He signed up to RD's Premium Stockbroking service in 2018 on B1's recommendation as he wanted advice on how to sell down some of his shareholdings and reinvest the proceeds with B1. He complained to RD in 2021 and raised concerns about the following areas:

- Incorrect book costs and classification of shares
- Charging higher fees than agreed
- Encouraging him to sell shares without justification
- Misplacement of share certificates
- Paying dividends to the wrong account

RD looked into his concerns and partially uphold the complaint. They thought they hadn't done anything wrong apart from paying dividends into the incorrect bank account for which they offered £100 compensation.

Mr M didn't accept their findings and asked us to help. The complaint was considered by one of our investigators who thought, in summary:

- RD took reasonable steps to try to obtain the book costs for the Artemis trust and JP Morgan from Mr M but did not receive his response. Therefore, he didn't think RD were responsible for not capturing the book costs for those holdings. However, the book costs for Aviva and Barclays were only accepted in March 2021, three years after Mr M had provided them. But he didn't think this prevented RD from carrying out their service as they were able to sell down other holdings and utilise Mr M's capital gains tax (CGT) allowance as agreed. However, he thought that that the book costs of Aviva and Barclays should have been accepted earlier, this caused frustration and inconvenience for Mr M and £100 compensation was fair compensation for this issue.
- RD had relied on information Mr M provided to them at the inception of their relationship which had resulted in Mr M's holding in the Aberdeen Diversified income and Growth Trust (Aberdeen Trust) being incorrectly recorded as British Asset Trust. However, he didn't think this had caused Mr M a financial loss when it was corrected apart from his portfolio value being overstated by around £6,000 from inception in 2018 to March 2021, which meant that RD's fee of 0.2% would have been charged on the overstated balance. Therefore, he thought RD should refund Mr M the overcharged amount.

- Apart from the fees charged on the overstated balance, he didn't think RD had overcharged Mr M as the charges applied were in line with what they'd stated at the start of their relationship.
- He didn't think RD had encouraged Mr M to sell his British American Tobacco (BAT) shares without justification. RD's advice to sell down the BAT holding was in line with the objectives agreed at the outset which was to sell down the equity portfolio over time to realise capital gains without incurring CGT, with the aim to reinvest the proceeds tax efficiently with B1.
- He noted that the share certificate Mr M had provided to RD was not valid due to a share split which occurred in 1989, after which a new certificate was issued. RD had written to Mr M in 2019 requesting the new share certificate and had explained how Mr M could go about requesting the certificate from the registrar and offered to help facilitate this for a small fee. RD hadn't received Mr M's response or the new share certificate. So, it wasn't the case that the certificate had been lost, instead it was invalid.
- It wasn't in dispute that RD had paid dividends to the wrong account. But he didn't think this had caused Mr M a financial loss and therefore the £100 compensation RD offered was fair.

Mr M didn't accept the investigator's findings and made the following points:

- He'd provided all the book costs he had to RD, however their failure to recognise this in over three years had resulted in delays in him selling down underperforming equities because of the potential capital gains that selling them would attract. Instead, he was encouraged to sell his BAT shares that were providing a 7% return. He thought the investigator had placed no value on the inconvenience, distress and loss of his ability to sell these shares when he wanted to, or the financial loss incurred from selling an equity which was performing better than the ones he was unable to sell.
- The investigator had accepted RD's version of events that they never received the share certificates from him. He didn't understand why the investigator was prepared to accept this as he'd clearly sent all his share certificates to RD.
- The investigator was inconsistent in his assessment of why Mr M hadn't received a response to his complaint in 2021 when it was first raised. The investigator had said that it was acceptable for RD to send the response by unregistered post and for them not to be accountable for misplaced post. However, the investigator was satisfied that RD did not receive the Tate and Lyle share certificates which Mr M had posted to them.
- It was astonishing that RD would not send a response to a serious complaint in a more secure way, such as registered post or a secure portal. The investigator needed to explain why he'd taken RD's version of events but not Mr M's when it came to the sending of the share certificates.
- Both RD and the investigator had acknowledged that the dividends had been paid to the wrong account. However, £100 wasn't fair compensation as the investigator hadn't queried how much time and effort it had taken to retrieve the misplaced funds from a dormant bank account. The investigator also hadn't queried the source of the funds used to invest in the ISA. Had he done so, it would have come to light that Mr M had to remove funds for a fixed interest bond and had subsequently lost 12

months' interest.

The investigator acknowledged the points Mr M had raised and asked him to provide evidence to show he'd cashed in a fixed rate bond to fund the ISA. Unfortunately, Mr M was unable to provide the requested evidence and asked for this aspect of his complaint to be disregarded. The investigator wasn't persuaded to change his opinion and, as there's been no agreement, the complaint has been passed to me to make a 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.

Having done so I think this complaint should be partially upheld and I will now explain why. I've firstly considered the issues raised around the incorrect book costs and the classification of the shares. The available evidence shows that RD were in correspondence with Mr M in March 2018. I can see that he provided them with a statement from his previous stockbroker which showed the book costs for Shell, Tate & Lyle, GlaxoSmithKline, AstraZeneca, BAT, Barclays, Aviva and British Asset Trust.

They wrote to him in May 2018 and advised that he should have a new certificate for his Barclays shares and that his Shell share certificates were invalid. They asked him to contact the registrar for further information. They also said that their CGT team were currently working on the book costs for each shareholding using the information Mr M had provided and if there were any gaps, they would be in touch.

They wrote to Mr M again in July 2018 and said that their CGT department were still working on finalising their calculations, but they now had all the shares held within their nominee and attached a valuation for his reference. The valuation showed that they didn't have book costs for Shell, Aviva, Barclays, Artemis Alpha Trust and the JP Morgan Asian Investment Trust. However, with the exception of the Artemis and JP Morgan holdings, all the book costs were available within the statement Mr M had previously provided them with.

There was no further correspondence relating to book costs until May 2019 when RD wrote to Mr M asking for purchase information relating to the Artemis, Aviva, Barclays, JP Morgan and Shell holdings. I can't see that Mr M responded to this letter or that RD chased it up. It was only during a conversation between Mr M and RD in 2021 that the issue came up again. During this conversation, it was confirmed that RD didn't have the book costs for the Aviva, Barclays, Artemis and JP Morgan holdings. The book costs for Aviva and Barclays were subsequently accepted but from what I've seen, these were previously provided to RD in 2018.

I've thought about what Mr M has said regarding RD's ability to sell some of his holdings being affected as they didn't have the correct book costs. During the call in March 2021 RD told Mr M that if they were to sell some of the holdings that they didn't have book costs for then it would be treated as a 100% gain and therefore impact CGT. But I haven't seen any evidence to suggest that RD were prevented from selling any the holdings they would have preferred due to not having the correct book costs. The available evidence shows that RD were able to sell down holdings in every tax year in order to make best use of Mr M's CGT allowance, with the exception of 2020 when he didn't want to sell any holdings. Therefore, I don't think I can fairly uphold this aspect of Mr M's complaint, but I do think that he is due compensation for the inconvenience caused by RD not accepting the book costs he provided for Aviva and Barclays in 2018 and I agree with the investigator's opinion that £100 is fair and reasonable in the circumstances.

I've then considered the issue of the incorrect classification of Mr M's holding in the Aberdeen Diversified Income and Growth Trust. From what I've seen, when Mr M's portfolio was transferred to RD they were provided with incorrect information. This meant the holding was incorrectly listed as British Asset Trust and not the Aberdeen Trust. There was no reason for them to query the information they'd been provided with as there were no issues with settlement of the holding when it was transferred to them. Taking this into account, I don't think RD can be held responsible for the incorrect classification as they were simply relying on the information that had been provided to them at the time they opened Mr M's account.

I've considered if he has lost out financially due to this error. I accept the value of the portfolio fell when the holding was corrected, but this was the true value it should have had all along, so I can't fairly say that RD have acted inappropriately here. But he was charged custody fees on the overstated balance, so I think they should refund him any fees they charged him on the balance of this portfolio that was overstated.

I note the points Mr M has made about being encouraged to sell his BAT shares when he didn't want to. The main objectives Mr M agreed with RD were to sell down his holdings over a five to ten year period so the funds could be reinvested with B1 and also to reduce the risk of the portfolio to medium risk. From what I've seen the main reason RD advised Mr M to sell his BAT shares was because they made up around 25% of his portfolio and exposed him to concentration risk. They acknowledged Mr M's desire to keep the holding due to the income it provided but thought it would be best to reduce the holding. I don't think this was an unreasonable course of action, so I won't be upholding this part of Mr M's complaint.

I've considered if Mr M was overcharged by RD. The available evidence shows that when he became their client, he signed to say he had been provided with a copy of their fee card. The fee card set out their charges which were as follows:

- A Custody Fee of 0.2%, chargeable quarterly in arrears
- Dealing Charges of 1% for trades up to £10,000, and 0.5% on the balance in excess of £10,000.
- A minimum fee of £500 plus VAT.

RD have provided a charges statement which I've considered and having done so, I haven't seen any evidence that Mr M was overcharged. Therefore, I won't be asking RD to do anything in respect of this part of Mr M's complaint with the exception of the refund on the overstated part of his portfolio balance I set out earlier.

I appreciate Mr M's concerns about RD misplacing his Tate and Lyle share certificates. RD wrote to Mr M in March 2019 explaining that the share certificate he had provide them with was invalid due to a company subdivision in 1989. At that point Mr M would have received four new shares for every existing share he held and a new certificate. Because the certificate they'd been provided with was invalid, they had been unable to transfer the shares into the portfolio. The letter explained what Mr M needed to do in order to transfer the shares to his RD portfolio and how to request a replacement share certificate. So, I do not think it was the case that RD misplaced the certificate, instead the issue was the fact they had received an invalid certificate. They let Mr M know what he needed to do to rectify the situation, so I don't think they've acted unfairly here, and I won't be asking them to do anything to resolve this part of Mr M's complaint.

The last part of Mr M's complaint concerns the payment of dividends to the wrong account. RD have accepted they made an error, so I've considered if the £100 compensation they've

offered him for the error is fair. I accept Mr M had to spend time and effort trying to retrieve the funds from an account he no longer used. And in the circumstances of this complaint, I disagree with the investigator, and I think that £200 would be fair and reasonable compensation. I think this amount is consistent with our approach to awards where consumers have been in a similar situation and correctly reflects the inconvenience Mr M suffered due to RD's error.

So, in summary, I don't think RD need to do anything in regards to the concerns raised about Incorrect book costs, charging higher fees than agreed, encouraging Mr M to sell shares without justification and misplacement of share certificates. But they need to put things right as set out below due to issues with overcharging caused by incorrect classification of the Aberdeen Trust holding and paying dividends to the wrong account.

Putting things right

- RD should calculate and refund any custody fees paid on the amount of Mr M's portfolio balance that was overstated due to the incorrect classification of the Aberdeen Trust holding.
- They should pay him £100 compensation for the inconvenience he suffered due to the book costs for his Aviva and Barclays holdings not being recorded from the information he provided to them when he became their client.
- They should pay him £200 compensation for their error in paying dividends to the incorrect account.

My final decision

For the reasons I've given, I partially uphold this complaint. Rowan Dartington & Co. Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 April 2024.

Marc Purnell
Ombudsman