

## **The complaint**

Mr M is complaining about the delays he experienced when transferring his stocks and shares ISA to Vanguard Asset Management, Ltd ('Vanguard'). Mr M lost out financially because of those delays and the ISA funds were invested into the wrong investment and that hasn't correctly been put right.

Mrs M is complaining on Mr M's behalf but for ease of reference I shall refer to 'Mr M' in my decision.

## **What happened**

On 17 April 2021 Mr M initiated his stocks and shares ISA transfer to Vanguard from another platform provider who I shall refer to a 'Company A' in this decision. He said that Vanguard didn't send the transfer request to Company A until 25 May 2021.

The funds were received by Vanguard on 25 August 2021 but were then invested into an incorrect fund. Mr M was asked to switch to the correct fund by Vanguard on 16 September 2021. He was told that the best unit price of the fund for May 2021 would be honoured so that he would not be financially disadvantaged as a result.

But this didn't happen, and Vanguard concluded that the transfer would have completed on 7 July 2021 when the unit price was at its highest. Mr M says there is no logic to this.

Vanguard did add missing units to Mr M's investment on 10 December 2021, but he had missed out on market growth and dividend income. Vanguard gave him £300 as a gesture of goodwill but Mr M says he lost a significant amount of money during the switch. He said the complaint handling process had been far from transparent and the investigation into his complaint had been substandard.

Mr M said the issue caused him a lot of worry. He was under continuous hospital medical treatment three times a week during this time and could only correspond on his free days which caused him a lot of anxiety.

When Vanguard responded to Mr M's complaint on 8 October and it said;

- It provided a timeline of events between 17 April and 20 September 2021.
- It accepted it was responsible for delays of 38 business days and that it didn't provide Mr M with its usual standard of service and paid him £300 as a gesture of goodwill.
- It believed the cash for investment would have been available to him on 2 July which would have settled on 7 July so to put that right (at a unit price of £256.36) it would apply an additional 0.062 units to his account.

Mr M wasn't happy with the outcome, so Vanguard carried out a further full review of his complaint and wrote to him on 8 November 2021. It had calculated the switch between the two funds meant Mr M had incurred a loss of 4.14 units and it arranged for those to be added to his account instead of paying out in cash as it had previously advised.

And for the transfer itself, it should have completed much earlier and it calculated this was 7 July and Mr M had missed out on a further 0.06 units. And with regard to Mr M being told he would 'best pricing the amount to May' it said some confusion had arisen. It said that best pricing didn't mean it would give him the best price possible, but it would be the best price between the date the deal should have been placed rather the date the deal was actually placed. It clarified if Mr M had received a better price at the latter date, it would not have taken those units away.

Our investigator who considered the complaint thought that Vanguard needed to do more;

- She was satisfied with the offered compensation of £300 for the poor communication and that Mr M wasn't provided with the usual high standard of service, and particularly bearing in mind his personal circumstances.
- She didn't think Vanguard had correctly put right the additional units after Mr M was invested into the incorrect fund. She thought the correct date that should be used to calculate the lost investment opportunity was 2 June which was the date the funds would have been available if Vanguard had sent the transfer request sooner than 25 May 2021 after Mr M had initiated it on 17 April. If it had been done sooner this 27-day delay would have meant it would have completed within the HMRC 30-day guidelines. To put the matter right she recommended that Mr M be paid interest from when the transfer should have gone through – 28 May 2021 – to the date the funds were actually transferred on 25 August.

She also said Vanguard should work out the unit price on 2 June 2021 rather than the 25 August unit price and if necessary, it should repurchase those units or give Mr M the cash equivalent so he could repurchase them.

Vanguard responded. It said;

- It said its usual process would have been to send Mr M's transfer request within five days of him uploading it (Company A wouldn't accept electronic instructions) which he did on 22 April. But it wasn't sent until 25 May which it clarified was 17 business days late.
- When Company A first sent its valuation of Mr M's account which was received by Vanguard on 7 June, some pages were missing, and it didn't inform Company A within five days of this as it should have done. This wasn't sent until 9 July which caused a further 19 business days delay.
- It concluded that the transfer completed in 91 business days and it had contributed 36 business days towards that delay after accounting for the delays caused by Company A. So, without the delays caused by Vanguard the completion would have been 6 July and the 7 July unit price would apply.
- Because of the delay in the transfer and the sum being invested into the wrong fund, Mr M was due additional units of 4.2107 which had been done correctly and Mr M wasn't due any further compensation.

After a response from Vanguard, the investigator accepted that the interest award wasn't necessary as by correcting the number of units dealt with any financial loss Mr M may have suffered.

However, she believed Vanguard contributed to a total of 40 business days to the delay rather than the 36 so the new completion date should be 30 June 2021 and if appropriate,

Vanguard needed to repurchase units or give Mr M the current equivalent so he could make the repurchase himself.

The investigator then contacted Vanguard as HMRC guidelines are that for non-cash ISAs, such as this, they should complete within 30 calendar days, so she asked it to recalculate.

But the complaint couldn't be resolved and, it was been passed to me for a decision. I issued my provisional decision that I thought the complaint should be upheld but redress needed to be recalculated. I asked both parties to give me anything they wanted me to consider before I issued my final decision. Here's what I said;

'I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As mentioned above, I am thinking of reaching the same conclusion as the investigator but with clarification about the number of days for which I think Vanguard is responsible for the delays.

#### The ISA transfer

For a non-cash ISA transfer, HMRC's guidelines are that a transfer should complete within 30 calendar days – and not business days as referred to above by Vanguard. While those guidelines aren't a regulatory requirement, I don't think it would be unreasonable for me to benchmark what happened in Mr M's case with what HMRC considers to be good industry practice. But I accept that timelines for Vanguard's own internal procedures and processes are business days and not calendar days. Bearing this in mind, I think Mr M's transfer should have completed by 2 June 2021. I'll explain why.

I've looked through the detailed timeline of events that Vanguard has provided and like the investigator, I have identified two delays that I consider Vanguard are responsible for. The first relates to the initial transfer request. As mentioned above, Company A wouldn't action electronic instructions, so as requested by Vanguard, Mr M uploaded his transfer request to Vanguard on 22 April.

Vanguard has said its own guidelines are that this should have been sent onto Company A within five days – which as I've said above, I take to mean five business days, but it said this didn't happen until 25 May because of the volume of requests it was dealing with. To be within its own guidelines Vanguard should have forwarded that request to Company A by the close of business on 29 April – which it didn't. So, to be fair to Vanguard as well as Mr M I have used 30 April – the sixth business day after receipt of the transfer – as the first calendar day for purposes of the recalculation for the delays. The 30 April until 25 May is 25 calendar days.

The second delay that I think should be attributed to Vanguard is its response to the receipt of an incomplete valuation of Mr M's ISA from Company A. This was received by Vanguard on 7 June and again, Vanguard should have requested a complete valuation within five business days of its receipt to remain within its own guidelines. But the request wasn't made until 9 July which (after excluding the first five business days) equates to a further 25 calendar days.

So, in total I calculate that Vanguard attributed a total of 50 calendar days to the delays that Mr M experienced during the transfer process. And this needs to be taken into account when putting the matter right.

The total period of transfer was 91 days according to Vanguard which I think could have completed within 30 calendar days even taking into account errors made by Company A if they had been responded to immediately. However, I do recognise the potential that other errors caused by Company A (which I should make clear I haven't considered as part of this decision) also had an impact on the overall timeline so I accept that Vanguard isn't totally responsible for the full 91 day delay, only 50 of them as I've calculated above which would reduce the delay experienced by Mr M to 41 days.

So, using calendar days, the transfer should have completed on 2 June 2021.

#### The fund switch

As background, when Mr M initiated his transfer request on 17 April and requested that when the funds were received, they should be invested into the Vanguard FTSE All-World UCITS. However, on 21 April he contacted Vanguard as he wanted to amend that fund investment into the LifeStrategy 80% Equity Fund. It was explained to him that he would have to cancel the original order and manually buy the LifeStrategy 80% Equity Fund when the cash was received. Vanguard confirmed with Mr M that the original order had been cancelled.

However, when the cash was received by Vanguard, on 25 August, Mr M noticed that they were marked as pending investment into the original investment – the FTSE All-World UCITS which had been cancelled. The fund was purchased in error. The sale instruction for this holding was placed on 15 September and was to be corrected by purchasing the amended fund choice and Mr M would receive the same number of units as if the delay hadn't occurred. Mr M was concerned he hadn't received the 'best price for May' and Vanguard confirmed this was an error on its part.

It's agreed that Vanguard carried out an incorrect transaction after Mr M had cancelled the order in April 2021. So, I need to consider how that should be put right if the transfer had completed within a reasonable time frame. As I've concluded above, I think the transfer should have completed on 2 June. And if Mr M had been able to place the transaction on that day, the purchase would have settled on 3 June 2021.'

To put the matter right I said that Vanguard should pay Mr M the £300 it had offered for the distress and inconvenience caused. It should recalculate the number of units Mr M could have bought in the Vanguard LifeStrategy 80% Equity Fund as if the trade had been placed on 2 June 2021 and settled on 3 June 2021. Mr M should be compensated for any lost dividend income.

In its response to my provisional decision, Vanguard said it had nothing further to add.

Mrs M replied on Mr M's behalf. She wanted to make me aware that Mr M was still receiving hospital medical treatment three times a week and the ongoing complaint is causing him a lot of worry and anxiety.

#### **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 am sorry to hear that Mr M is still undergoing medical treatment and appreciate that he would like for his complaint resolved as soon as possible.

As both parties have replied before the provisional decision deadline and neither party has given me anything further to consider about the merits of the complaint, I see no reason to depart from my provisional decision. So, I confirm those findings and I uphold Mr M's complaint. And Vanguard needs to put the matter right.

### **Putting things right**

In order to put the matter right Vanguard needs to;

- If it hasn't already done so, it should pay to Mr M the £300 it has offered for the distress and inconvenience caused.
- Recalculate the number of units Mr M would have been able to purchase in the Vanguard LifeStrategy 80% Equity Fund if the trade had been placed on 2 June 2021 and settled on 3 June 2021. The correct number of units should be allocated to Mr M's account.
- If Mr M has missed out on any dividend income, because of my proposed amended trade date and possibly a different number of units, he should also be compensated for this to reflect any income he should have received from the number of units he should have been able purchase in June 2021.

### **My final decision**

My final decision is that I uphold Mr M's complaint and Vanguard Asset Management, Ltd, should put the matter right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 March 2023.

Catherine Langley  
**Ombudsman**