

## The complaint

Mr M bought shares in a Special Purpose Acquisition Company (SPAC) via IG's platform. When he decided he wanted to redeem his shares in the SPAC, he was told IG didn't offer this option. As a result, he claims he has been caused a financial loss.

## What happened

Mr M bought shares in the SPAC via IG's website in February 2021. A SPAC is a company that has no commercial operations, and created with the purpose of eventually buying or merging with an existing company. Shareholders in a SPAC are then, subject to rules relating to the specific SPAC, usually entitled to redeem shares they've bought for cash, or to have their shareholding converted into shares of the newly merged or bought company.

The prospectus of the SPAC Mr M bought shares in explained, among other things, that:

- The SPAC's objective was identify companies in the technology, media and telecommunications industry.
- It was offering 20,000,000 units at an offering price of \$10.00 each - each unit consisting of a share of the common stock and three fourths of one redeemable warrant.
- Purchasers of the 'public units' would have the opportunity to redeem all or a portion of their public shares upon the completion of the initial business combination at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the trust account.

On 16 April 2021 Mr M contacted IG via its webchat service to ask about redeeming his shares in the SPAC. He was told that IG didn't offer this option, and so there was no way for him to do this. On 29 April 2021 Mr M complained. He said that his holding in the SPAC gave him the right to redeem his shares by 19 April 2021 at \$10.10 a share.

He complained that IG's failure to facilitate this caused him a loss as the shares then went below the NAV and he lost out. He provided IG with a loss calculation that quantified his loss at around \$3,000.

IG looked into Mr M's complaint, but didn't think it had done anything wrong. It said that IG did not offer or ever claimed to offer ad hoc SPAC redemptions. It said that for share dealing accounts, IG only offered mandatory corporate events - and this was set out in the customer agreement which Mr M agreed to.

It quoted section 11 of the agreement that said IG 'may, but are not obliged to, offer you any other rights or special offers that are made available to holders of instruments'. It therefore concluded that it hadn't done anything wrong and wouldn't offer Mr M any compensation.

One of our investigators looked into Mr M's complaint and considered it should be upheld. In short, he said that one of the main features of buying shares in a SPAC was the ability to

redeem purchased shares at a set price - essentially a 'money-back guarantee' with the possibility of making a profit. He said this was the reason SPACs generally had high redemption rates. He considered IG's references to their terms and conditions, particularly around corporate actions, but concluded that they did not apply to this particular investment. He said that given one of the key features of buying shares in a SPAC is the ability to redeem them before the business combination, IG ought to have made it clear that this would not be possible with shares in SPACs bought on its platform. The investigator therefore said that Mr M had suffered a financial loss, as he was left with shares in a newly created company which he never intended to hold and which, by the time he was given the shares, were worth less than the redemption price.

However, the investigator didn't think it would be fair to offer Mr M the compensation he was after. He considered that Mr M had an opportunity to sell the shares at a time when their value was higher, thereby reducing the overall size of the loss he had suffered. He therefore recommended compensation based on the difference between \$10.10, and what the new shares he received in May 2021 were worth at that time. He also recommended compensation for the distress and inconvenience he was caused.

Mr M didn't agree. He said that he would never have had these shares as he would have redeemed had that option been available. Alternatively, he would never have bought shares in this SPAC if he had known in advance that redeeming was not an option.

IG didn't agree. It said that it wasn't reasonable 'to expect IG to list all the services' which it didn't offer. It said that if 'early redemption was important to [Mr M], it seems that it should have been his responsibility' to see if IG offered this service. It made an offer to settle the complaint which Mr M declined.

I issued a provisional decision in January 2023. I said:

*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've reached the same conclusions as the investigator and for broadly the same reasons.*

*In relation to IG's reasons for disagreeing with the investigator's view, I'm not persuaded. I don't think the investigator was suggesting that IG needed to list all the services it didn't offer.*

*Instead, I think it's clear that the investigator was suggesting that the ability to redeem shares in a SPAC was a key feature underpinning why a consumer might choose to invest in a SPAC in the first place.*

*IG already had a responsibility to ensure that it paid due regard to the interests of its customers (PRIN 6) as well as their information needs (PRIN 7). Furthermore, the regulator expects firms to provide clients with information about the risks and nature of the investments they sell. And specifically, it expects firms to include 'information on impediments or restrictions for disinvestment [...] including an illustration of the possible exit methods and consequences of any exit' (COBS 14.3A.5).*

*So I'm satisfied that first and foremost, it was for IG to ensure that consumers had all the necessary information on the securities it was selling to make informed decisions about issues like entitlements and disinvesting - particularly because, as an execution only investor, it would ultimately have been down to Mr M to decide whether or not to invest.*

*I acknowledge that IG couldn't provide a reference in the terms and conditions of the account to cover all the services it didn't provide. But in relation to buying shares in SPACs I'm satisfied that it's decision not to offer consumers the chance to redeem their shares in line with the prospectus was information that consumers needed to have. I agree with the investigator that the terms and conditions simply do not cover investments in SPACs at all, nor the possibility of consumers being unable to redeem early.*

*I've also looked at archived pages of IG's website before Mr M invested. IG does talk about SPACs, the main features and the fact that it offered zero commission on US SPACs. It explains how to invest, whether via owning shares in the SPAC or trading a derivative. It talks about some of the risks. But it never mentions the fact that IG would not allow consumers to redeem their shareholding early - there is no mention of IG's decision not to facilitate this anywhere.*

*In my view, this is key to this complaint. Mr M was entitled to assume, initially, that buying shares in a SPAC through IG's share-dealing service would not put him at a disadvantage compared to any other shareholder. I'm persuaded he was entitled to assume this because, as far as he was concerned, he was buying shares which gave him a number of entitlements - he had no way of knowing or anticipating that IG would not allow some of those entitlements to be realised.*

*And I'm satisfied that the terms and conditions would not have helped Mr M to understand this any better - because the terms only deal with corporate actions, and the various types of corporate actions which IG may, or may not, facilitate.*

*Furthermore, I don't agree that including this information or mentioning it would've been particularly onerous. This was not technical or hypothetical information - this was a commercial decision which IG had made not to facilitate early redemptions of shares from investors who had bought shares in a SPAC. At the point it made this decision, given everything I've said above about IG's obligations, it ought to have communicated this in some way to its customers. So I'm satisfied IG ought to put right the financial impact on Mr M caused by this failure.*

*And looking at Mr M's communications, and bearing in mind what I've said above about this being a key feature of investing in a SPAC, I'm satisfied that it's more likely than not that Mr M would not have bought shares in this SPAC if he had known in advance that IG would not allow him to redeem his shares early. I'm satisfied this was a key reason for him investing.*

*Unfortunately, Mr M could not redeem his shares in the way he wanted - and did not sell at the time because the share price was trading below the NAV. At this point, I think Mr M was faced with an exceedingly difficult decision - one that I'm satisfied IG's omission foisted on him.*

*He had to decide whether to sell shares in the SPAC at market price, crystallising a loss, or wait and see what the price of the new shares would be once the new company was created. I think this decision was in the range of reasonable decisions which Mr M was entitled to make.*

*However, it's clear to me that once his shareholding in the SPAC was converted to shares in the newly acquired company, Mr M had to decide whether he wanted to continue taking the risk that the shares would further drop in value - or, essentially, cut his losses. This is because he had a duty to take reasonable steps to minimise any losses. In looking at the share price of this holding, I'm satisfied that by 14 May 2021, Mr M had enough information*

*to make an assessment about whether or not the share price was going to increase in value. In my view, within that 7 day period, he had opportunities to mitigate his losses which he ought to have taken. For this reason, I don't agree that it would be fair and reasonable to ask IG to compensate Mr M for any loss in value in these shares since 14 May 2021.*

*Between 7 May 2021 and 14 May 2021, the price of the shares fluctuated significantly - and I can't say on balance when precisely Mr M ought to have sold, and what price he would've received.*

*Instead, I think a fair and reasonable way to put things right is to look at the average price of the shares between these dates - including opens, highs, lows and closing values. This gives an average share price of \$7.2572 - whilst I can't say for sure that's what Mr M would've been able to achieve, I think it's a fair and reasonable measure to assess the loss caused to Mr M.*

*So IG need to pay Mr M the difference between the price he could've had if redemption had been possible and the price above. It needs to provide Mr M with its calculation in a clear and simple format.*

*I agree that IG's actions here have caused Mr M trouble and upset. I'm persuaded that Mr M was placed in a difficult situation he had not foreseen, with losses that he had no ability to avoid. Taking all this into account, I'm satisfied £200 is fair and reasonable compensation for that.*

Neither Mr M nor IG provided any comments in response to 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.

Having reconsidered the evidence, and in the absence of any submissions from either party, I see no reason to change my provisional findings. I therefore confirm them as final.

### **Putting things right**

I'm satisfied the fair and reasonable way to put things right is to look at the average price of the shares in 'Lightening eMotors' between 7 May 2021 and 14 May 2021 - including opens, highs, lows and closing values. This gives an average share price of \$7.2572 - whilst I can't say for sure that's what Mr M would've been able to achieve, I think it's a fair and reasonable measure to assess the loss caused to Mr M.

So IG need to pay Mr M the difference between the price he could've had if redemption had been possible and the price above. It needs to provide Mr M with its calculation in a clear and simple format.

I agree that IG's actions here have caused Mr M trouble and upset. I'm persuaded that Mr M was placed in a difficult situation he had not foreseen, with losses that he had limited ability to avoid entirely. Taking all this into account, I'm satisfied £200 is fair and reasonable compensation for that.

### **My final decision**

My final decision is that I uphold Mr M's complaint. IG Markets Limited must pay the compensation I've awarded above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 March 2023.

Alessandro Pulzone  
**Ombudsman**