

## The complaint

Mr H complains that eToro (UK) Ltd didn't give him the additional shares he was entitled to when one of the holdings in his account was subject to a stock dividend. He says eToro adjusted his holding but didn't give him the new shares and won't allow him to transfer them to a new provider.

## What happened

Mr H has a share dealing account with eToro. He had a holding of US shares which I'll refer to as "G".

In 2022 G announced:

*"... a four-for-one split of the Company's Class A common stock in the form of a stock dividend. Company stockholders of record at the close of business on July 18, 2022 will receive a dividend of three additional shares of the Company's Class A common stock for each then-held share of Class A common stock. The stock dividend will be distributed after the close of trading on July 21, 2022. Trading will begin on a stock split-adjusted basis on July 22, 2022."*

Mr H complained that, rather than his account showing the additional shares added on 21 July 2022, eToro adjusted all previous purchases to give the new share quantity and valuation. And eToro won't allow him to remove the new shares he received to a third-party account.

eToro said that although G had referred to the action as a "stock dividend", it checked with its provider and correctly treated it as a stock split. In line with its usual process, it adjusted the opening rate of Mr H's trades to reflect the new rate after the split to ensure that all subsequent profit calculations are proportionally correct.

Our investigator didn't recommend that the complaint should be upheld. He was satisfied eToro had correctly treated the corporate action as a stock split and that e-Toro acted in line with its terms and conditions in not allowing the transfer of the shares to a new provider.

Mr H didn't agree. He said, in summary, that:

- G issued a stock dividend; eToro wrongly, and potentially illegally, treated it as a stock split.
- All documents issued by G and its agent refer to a "dividend", as do the third-party links provided by the investigator.
- He couldn't have purchased the shares, as now reflected in his account, because they didn't exist before the dividend date.

## **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 find I have come to the same conclusion as the investigator for the following reasons:

eToro's terms and conditions say:

*"If a Corporate Event impacts a security in your eToro account, we will use reasonable endeavours to adjust the securities in your account in a way that is fair and which aligns with market practice, depending on the circumstances of each event and according to our sole discretion, although we are not obliged to do this. Adjustments may include changing the price or quantity of securities in your account, to reflect the economic equivalent of such rights."* [10.2]

I'm satisfied that eToro fairly adjusted Mr H's account to show the new shares which resulted from the stock split. Whilst he says other providers made the adjustment differently, I'm satisfied that eToro followed its usual process and that, as a result, the corporate action was fairly reflected in his account in line with the agreed terms and conditions. eToro issued contract notes for the original share purchases, so I'm satisfied Mr H has an accurate record of what he purchased and that his account was accurately updated to reflect the stock split.

G did refer to this corporate action as a *"four for one split....in the form of a stock dividend"*. But I don't think the language used changes the overall outcome here – new shares were issued, on the basis of existing shares held, which eToro received on Mr H's behalf and allocated to his account. This was not like a traditional UK scrip dividend where investors can elect to receive the equivalent in shares of the cash dividend. Rather, for every share previously held, three additional shares were issued, but the value of Mr H's holding remained the same (subject to market movements).

eToro's terms and conditions say:

*"you will generally not be able to transfer products into your eToro account, out of your e-Toro account or to a third party at any time."* [4.2(d)]

I find eToro has acted in line with those terms in not allowing Mr H to transfer the new shares to a third-party provider. And, had e-Toro treated the corporate action differently in its records, I would still find this to be the case – the term is clear that eToro does not allow transfers.

## **My final decision**

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 May 2024.

Elizabeth Dawes  
**Ombudsman**