

## The complaint

Mr P complains that AJ Bell Securities Limited trading as AJ Bell Youinvest ('A J Bell') has offered him inadequate compensation after admitting it failed to give him information it should've done which resulted in him missing out on a tender offer. He wants AJ Bell to compensate him for the loss he says he's made.

## What happened

Mr P had an execution only account with A J Bell and he held an investment which I'll refer to as his 'C bond'. A J Bell apologised to Mr P for having failed to communicate to him a tender offer on C bonds which meant that Mr P did not opt to take part in the offer and so he didn't tender any shares. He continued to hold his C bond, receiving interest payments meanwhile, until the bonds underwent a full call and redeemed early in January 2022.

A J Bell said that although Mr P had missed out on the tender offer, the value he actually received for his holding plus the interest paid to him meant Mr P was around £725 better off financially as a result of what happened. But A J Bell said it accepted that Mr P wasn't sent a secure message notifying him about the C bonds tender offer in October 2020 due to human error and in recognition of any stress and inconvenience this caused, it offered him a goodwill payment – initially set at £50, later on increased to £100.

Our investigator ultimately recommended that the complaint should be upheld. She said she had come to believe that Mr P would've taken the tender offer, reinvested the proceeds, and likely made some profit beyond what he received at recall of the bonds and interest. To put things right, she said A J Bell should pay Mr P compensation for investment loss, based on a benchmark that reflected the degree of investment risk she felt he would've been comfortable taking – plus £300 compensation for distress and inconvenience.

Mr P was prepared to settle his complaint on these terms.

A J Bell took a different view – it replied in detail to say, in summary, that:

- the investigator should explain why she thought Mr P would've reinvested the proceeds of the C bond if he'd taken up the tender offer, when initially she'd thought something different
- Mr P's investment record didn't support the investigator's view that he would've likely reinvested in equities so the benchmark she suggested for calculating loss wasn't fair
- benchmarks typically used to track bond performance, which A J Bell said better reflected Mr P's likely investment path, had dropped globally during the relevant period of time which meant he hadn't suffered any loss as a consequence of its failure to notify him of the tender offer
- following each redemption and dividend or interest payment made to Mr P in recent years he'd withdrawn the proceeds rather than made further investments, which supported A J Bell's view that he would've been unlikely to invest in equities if he had taken up the tender offer
- it had already agreed to pay the £300 suggested by the investigator for distress and inconvenience.

## **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've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts and I hope this is helpful.

A J Bell has already upheld Mr P's complaint and agreed that it made an error when it failed to send him a secure message about the transfer offer. So I don't need to say more about the background to this complaint or make any findings about what's already been agreed. I'm going to concentrate in my decision on what A J Bell should fairly and reasonably do to put things right in these circumstances.

Having considered everything very carefully, I have independently come to the same conclusions as the investigator about what Mr P is likely to have done, but for A J Bell's admitted error. And I agree with the way she has suggested A J Bell should put things right.

I'll explain why I say this.

I've carefully listened to call recordings of discussions between Mr P and A J Bell where he consistently said that he would've taken the tender offer and reinvested the proceeds. Mr P has reiterated this information to us since bringing his complaint to this service.

I must look at all the available information and decide what I think is most likely on a balance of probabilities. This means making some reasonable assumptions where there's only limited information.

I understand that a large majority of investors in C bonds were tempted to take advantage of the tender offer. I've no good reason to think that Mr P wouldn't also have found the offer terms attractive and I find it likely that he would have wanted to tender his shares, if only he'd known about the offer in time. The tender price of the shares was £1.7715 per share and Mr P held 75,000 shares. So, but for A J Bell's admitted error, Mr P could reasonably have expected to receive around £132,862.50 had he been able to elect to tender his entire holding when there was an opportunity for him to do so.

I've carefully considered what Mr P would most likely have done with those investment proceeds.

Despite what A J Bell has told us about what it has seen of Mr P's investment record, it only saw how he managed the investments held on its platform. I think it's fair to say it has only a limited overview of the bigger picture in terms of what Mr P did with income generated from his investment portfolio. I don't think this puts A J Bell in a position to be able to conclude that, had Mr P been able to participate, it's unlikely he would've invested the proceeds of the tender offer in equities and more likely that any investment would've been in much less risky bonds.

Mr P retained his C bond investment until recall in 2022 so it looks like he had no more pressing need for the money he had tied up in that investment. He had told A J Bell in a secure message in December 2020 that he was happy to retain his bonds, providing his position would not be prejudiced by not tendering. All this makes me think that if Mr P had realised an investment worth £132,862.50 sometime around October 2020, it's likely that he would've reinvested this money as he's told us (and A J Bell) he would have done.

So, A J Bell needs to work out whether Mr P has suffered any investment loss as a result of Mr P missing out on his lost investment opportunity.

Central to deciding what A J Bell needs to do to put things right is the question of Mr P's risk approach.

The C bonds appear to have represented a high degree of investment risk as far as I can see. And from what Mr P has told us about the investments he holds and his investment goals, I find it unlikely he would've been content to invest in the sort of bonds A J Bell has suggested would be a fair comparator. Whilst I can't know for sure what Mr P would have done, on balance, based on everything I've seen and been told, I think he would've wanted to continue to keep his money invested at some degree of risk, as he understood that the potential returns on such an investment were commensurately higher and it looks like maximising investment gains was an important consideration for Mr P.

I consider that the benchmark proposed by the investigator for working out investment loss broadly matches Mr P's attitude to risk and reflects what would've been an appropriate level of risk for Mr P's reinvestment.

I find that £300 compensation as recommended by the investigator is fair and reasonable to reflect the anxiety and inconvenience caused to Mr P as a result of what happened. Mr P hasn't said any more about this and A J Bell has confirmed it accepts this view, so I don't need to say more about it.

## Putting things right

### Fair compensation

In assessing what would be fair compensation, I consider that my aim should be to put Mr P as close to the position he would probably now be in if he had been made aware of the tender offer and taken this up.

I take the view that Mr P would have accepted the tender offer and invested the returns. It is not possible to say precisely what he would have invested into. But I am satisfied that what I have set out below is fair and reasonable given Mr P's circumstances and objectives when he invested.

To compensate Mr P fairly AJ Bell should:

- Compare the performance of Mr P's investment with that of the benchmark shown below and pay the difference between the *fair value* and the *actual value* of the investment. If the *actual value* is greater than the fair value, no compensation is payable.
- A J Bell should also pay interest as set out below.
- Pay Mr P £300 in total (if it hasn't already done so) for the distress and inconvenience he was caused.
- Provide details of the calculation to Mr P in a clear, simple format.

Income tax may be payable on any interest awarded.

investment name	status	benchmark	from ("start date")	to ("end date")	additional interest
Cooperatieve Rabobank UA 6.567%-FRN T1 Perpetual	No longer exists	FTSE UK Private Investors Income Total Return Index	Date the tender offer completed	ceased to be held	8% simple per year on any loss from the end date to date of settlement

### *Actual value*

This means the value of the investment at the end date, including the amount of any interest earned between tender offer and full recall.

### *Fair value*

This is what the investment would have been worth at the end date had it produced a return using the above benchmark calculated from the start date using the proceeds that would've been received at tender.

### **Why is this remedy suitable?**

I have chosen this method of compensation because:

- Mr P wanted capital growth and was willing to accept some investment risk.
- The FTSE UK Private Investors Income total return index (prior to 1 March 2017, the FTSE WMA Stock Market Income total return index) is a mix of diversified indices representing different asset classes, mainly UK equities and government bonds. It would be a fair measure for someone who was prepared to take some risk to get a higher return.
- Although it is called income index, the mix and diversification provided within the index is close enough to allow me to use it as a reasonable measure of comparison given Mr P's circumstances and risk attitude.
- The additional interest is for being deprived of the use of any compensation money since the end date.

### **My final decision**

I uphold this complaint and AJ Bell Securities Limited trading as AJ Bell Youinvest should take the steps set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 28 March 2023.

Susan Webb  
**Ombudsman**