

The complaint

Mr D complains that Financial Administration Services Limited ('FASL') gave him incorrect information about how distribution payments would be dealt with after his stocks and shares Individual Savings Account (ISA) had been transferred.

What happened

Mr D transferred his ISA to FASL in 2021 and FASL wrote to Mr D to explain the ceding ISA manager would automatically send FASL any income it received after the transfer. Several months later, the ceding ISA manager sent cheques to Mr D for the dividend income it received after the transfer. Mr D complained to FASL that it had assured him any income for the transferred ISA would be paid automatically into his ISA account, but instead it was paid directly to him by cheque and fell outside the ISA wrapper. The ceding ISA manager said it had paid the income this way as it had had no written instruction from FASL to transfer the dividends.

FASL didn't uphold Mr D's complaint and said the standard re-registration process includes the understanding that the ceding provider will send any income to the new ISA provider. FASL said it followed the process correctly, and as such expected the ceding manager to have forwarded the dividend income to FASL.

Mr D brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. The Investigator acknowledged that FASL initially referred Mr D back to the ceding manager, but then agreed to look into the issue itself. As a result, FASL told Mr D it had contacted the ceding manager, and nothing could be done. However, FASL now accept it didn't contact the ceding manager. The Investigator thought that FASL should pay Mr D £200 for the frustration he felt having to deal with both FASL and the ceding manager to try and resolve the issue.

FASL says it accepts it provided Mr D with 'misinformation' but feels that the impact on Mr D is minimal, and that a payment of £200 is unreasonable and asked that an Ombudsman decides the complaint.

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.

There's no dispute that FASL told Mr D that the ceding manager would automatically send it any dividend income payments after the ISA transfer completed, and there's no dispute about the transfer itself. Mr D says he relied on what FASL had told him and expected the dividend income in question to be transferred automatically. So, the crux of this complaint is what did FASL do when Mr D received cheques for the dividends from the ceding manager and did it act reasonably

There is no regulatory requirement for ISA transfers, but there is guidance published on the GOV.UK website. This says any income received by the ceding ISA manager after the date

of transfer should be sent to the new ISA manager unless either: the old manager has been instructed to pay income received to the investor, or the income received is less than the minimum the new manager is prepared to accept. FASL has confirmed that it has no minimum income it's prepared to accept.

The transfer of dividends post transfer is the responsibility of the ceding provider. It seems in this case the ceding manager's process is to send cheques to Mr D. When Mr D first made FASL of this he was directed to contact the ceding manager. I don't think it was unreasonable for FASL to do this and it reflects the guidance I've referred to previously. Then, when Mr D met further resistance from the ceding manager, FASL said it would contact the ceding provider to try and resolve the issue. FASL then incorrectly told Mr D it had contacted the ceding provider and said, *"Unfortunately, they've said they require you to contact them directly regarding cancelling the cheques and forwarding your money to us."*

The information FASL gave Mr D to contact the ceding manager was fundamentally correct - it's only the ceding provider that can cancel the cheques and send the dividends to FASL. However, I'm persuaded that if FASL had contacted the ceding manager, it's more likely than not it would have become clear sooner than it did that the ceding manager needed a new transfer request. So, I'm persuaded FASL's actions here contributed to Mr D's frustration that he was being passed between FASL and the ceding manager, and that FASL could have done more than it actually did to help Mr D.

The investigation completed several months ago and FASL says it hasn't received any further instructions from Mr D to apply for the dividend income to be transferred to his new ISA. FASL says that if Mr D has returned the cheques to the ceding manager, he will need to complete a new Re-Registration/transfer request online through his FASL account. FASL says that once this is done it will request the transfer of remaining monies from this account. In my opinion this is a pragmatic way to complete the transfer of the dividends if Mr D wants and will keep the dividend income within his ISA wrapper. I can't direct FASL to do this unless FASL receives an updated instruction from Mr D for this transfer as it's not possible for FASL to request a transfer without this new request being completed. Mr D may wish to contact FASL - if the dividends are still held in an ISA with the ceding manager - and provide an authority for FASL to complete the transfer if he still wants them to be transferred.

Putting things right

I understand FASL's argument that the information it provided Mr D was essentially correct, but for the reasons I've outlined above, I'm persuaded Mr D believed FASL had contacted the ceding manager when it hadn't. I think caused Mr D a higher level of frustration and annoyance you might reasonably expect from day-to-day life, and the impact has been more than just minimal. The incorrect information FASL provided meant that the impact lasted more than a few days and resulted in Mr D feeling he'd been passed from one ISA provider to another. So, I've decided that FASL should pay Mr D £200 for the distress and frustration this caused.

My final decision

I've decided to uphold this complaint and that Financial Administration Services Limited should pay Mr D £200.

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

Paul Lawton

Ombudsman