

## **The complaint**

Mr C complains that Virgin Money Unit Trust Managers Ltd, trading as Virgin Money delayed sending the cash value of his Individual Savings Account (ISA) and Personal Equity Plan (PEP) to his new provider. Mr C says this caused him a financial loss.

## **What happened**

Virgin Money received a completed ISA and PEP transfer form from another provider and sold the units it held for Mr C on 11 March 2022. The funds weren't sent to the new provider until 7 June as Virgin Money said it required additional information from Mr C - proof of income - before it could send the funds.

Mr C complained to Virgin Money that he'd recently provided a statement of wealth form that had been accepted in February and that Virgin Money only told him it needed further information by way of proof of income on 12 May. Mr C says that when the funds were sent to the new provider on 7 June, the value of the units was considerably higher than when Virgin Money sold them and that this had caused him a financial loss as his ISA/PEP had been held in cash since 11 March.

Virgin Money provided a final response to Mr C's complaint and said it was trying to contact the new provider to understand the impact of the delay. Virgin Money sent Mr C a cheque for £150 as a remedy for the distress and inconvenience the delay had caused him. Mr C didn't cash the cheque and brought his complaint to the Financial Ombudsman Service. One of our Investigators looked into things and thought that Virgin Money had caused Mr C more distress and inconvenience than it had recognised, and that Virgin Money should pay interest on the delayed funds.

Mr C asked that an Ombudsman decides the complaint.

As I reached a different outcome to the Investigator, I issued a provisional decision. In my provisional decision I said I intended to ask Virgin Money to recalculate the transfer amount using the value of the unit prices on the day the transfer actually completed in June. The unit prices should be adjusted to include any dividend Mr C may have been entitled to on his funds because of the delay. In this case, any dividend declared on 15 March would have been paid to Mr C on 15 May. As Mr C usually re-invested dividends, it seemed fair and reasonable that Virgin Money should adjust the number of units Mr C may have held at the transfer date if any dividend to which he would have been entitled to had been reinvested.

I explained in my provisional decision that because Mr C had to call Virgin Money a number of times to find out what was happening with the transfer, I intended asking Virgin Money to pay Mr C £300 for the distress and inconvenience this had caused him.

Mr C accepted my provisional decision and asked that Virgin Money provide him with a full breakdown of its calculations and the unit prices it used so that he could retain accurate records.

Virgin Money asked me to reconsider the element of my provisional decision that dealt with

the dividend declared on 15 March. Virgin Money said the account was sold on 11 March, in line with the terms and conditions that state, *'Once the terms of your transfer have been agreed with the new ISA manager, we will sell your units on that business day ...'* Therefore, Mr C wasn't invested at the time the fund became ex-dividend and that any units sold before an ex-dividend date would not qualify for any subsequent income distribution.

### **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 carefully considered the comments from Mr C and Virgin Money, but I've decided that my provisional decision is a fair and reasonable one in the circumstances of this complaint. I will now explain why I've decided to adopt my provisional decision as my final decision.

The crux of Mr C's complaint isn't disputed, and Virgin Money accepts it got things wrong and should have requested proof of income much earlier than it did. This is what delayed the transfer after Virgin Money had sold the funds to cash. Virgin Money accepts it would reasonably have been able to obtain proof of income from Mr C before 11 March if it had requested this from him. Unfortunately, Virgin Money delayed requesting this information from Mr C and the transfer was delayed. The internal complaint notes provided by Virgin Money show it recognised this but didn't explain how it would address the impact of the delay on Mr C's transfer in its complaint response.

In its response to my provisional decision, Virgin Money highlighted that its terms and conditions state that it would sell the units on the same business day that the transfer had been agreed with the new ISA/PEP manager. The key features document clarifies what should happen when Virgin Money received a transfer request:

*"To transfer your ISA, we need to get a fully completed instruction from your new provider. Once we've got this, we'll sell your investments and transfer the money to your new provider.*

*We can only complete transactions after we've received all the information we need, and have completed our checks."*

In addition, the terms and conditions state, in section 7:

*"Transferring your ISA to another provider.*

*If you want to transfer your ISA to another provider, they'll tell you what you need to do – and they'll get in touch with us to arrange it. Once we've received the information we need, we'll arrange for the transfer to your new provider."*

There's no dispute that Virgin Money had a signed transfer form on 11 March, but in this case, it sold the units in Mr C's ISA and PEP despite being aware it didn't have the proof of income required to enable it to complete the transactions. Virgin Money didn't ask Mr C for the proof of income it required to release the funds until 12 May and received this on 18 May. There was another delay until Virgin Money transferred the funds to the new provider on 7 June.

Virgin Money believes it acted fairly in selling Mr C's funds on 11 March as it had received the signed transfer form on this day, but Virgin Money didn't tell Mr C it required proof of income until 12 May. In this case, Virgin Money sold the units to cash knowing it hadn't received all the information it needed before it could complete the transactions. The

subsequent delay in Virgin Money requesting information it required led to Mr C's funds being held in cash rather than remaining invested, and I think the key features and terms and conditions make it reasonably clear this shouldn't have happened. This resulted in the transfer completing after the dividend had been declared – a dividend I think Mr C would have been entitled to had Virgin Money not completed the transactions it did without the proof of income it said it required. So, I've decided it's reasonable that any remedy should take into account that Virgin Money sold the funds to cash without all of the information it needed to complete the transactions.

To put things right I've decided that Virgin Money should recalculate the transfer amount using the value of the unit prices on the day the transfer actually completed in June. The unit prices should be adjusted to include any dividend Mr C may have been entitled to on his funds because of the delay. In this case, any dividend declared on 15 March would have been paid to Mr C on 15 May. As Mr C usually re-invested dividends, it seems fair and reasonable that Virgin Money should adjust the number of units Mr C may have held at the transfer date if any dividend to which he would have been entitled to had been reinvested.

If the recalculated amount is lower than the amount Virgin Money sent to the new provider, no further redress is required. But, if the recalculated amount is higher, Virgin Money should ask the new provider to calculate how many units the recalculated amount would have purchased using the unit price of the funds Mr C invested in on the day the new provider reinvested the funds. If the unit price is now higher than when Mr C invested, Virgin Money should cover the additional cost of the purchasing the number of units Mr C could have purchased. This ensures Mr C would have the amount of units within his new investment he would likely have purchased at the time the transfer actually completed.

Mr C has asked that Virgin Money provide him with the date, amount, and price of any units it is required to purchase, if any. I think this is a reasonable request and I think this is something I can ask of Virgin Money without issuing a further provisional decision. I would also point out to Mr C that if any units are purchased within his new ISA/PEP investment, these are more likely than not going to show up in statements with his new provider.

Mr C had to call Virgin Money several times to find out what was happening with his transfer. Virgin Money gave him wrong information and then sent him a further statement of wealth form to complete when this wasn't required. It took at least two months for Virgin Money to clearly explain what it required to complete the transfer, and when it did, Mr C responded promptly to provide a payslip. I'm satisfied that Mr C suffered more than minor distress and inconvenience during this period and Virgin Money should pay Mr C £300 to reflect this.

### **My final decision**

I've decided to uphold Mr C's complaint and that Virgin Money Unit Trust Managers Ltd trading as Virgin Money should:

- Make an adjustment in the number of units Mr C may have held at the actual transfer date taking into account the re-investment of any dividends paid on 15 May;
- Recalculate the transfer value using the unit price when the actual transfer was completed;
- On behalf of Mr C, use the recalculated amount to purchase the number of units he could have purchased in his new investments when the transfer completed, and if necessary, cover the additional cost of buying the units if the prices have increased since the date the transfer completed:

- Arrange for any additional units to be placed in Mr C's new ISA and PEP investment and inform HMRC of the error;
- Pay Mr C £300 to reflect the distress and inconvenience the delay has caused him.

Virgin Money Unit Trust Managers Ltd trading, as Virgin Money should provide Mr C with details of the amount and price of units it buys, if the recalculated amount is higher.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 6 June 2023.

Paul Lawton  
**Ombudsman**