

## The complaint

Mr A has complained about the actions of Equiniti Financial Services Limited, trading as EQi ('EQi'), in its administration of his son's Child Trust Fund account ('CTF'). Shares have been sold to cover the account management charges which Mr A said he never agreed to. He wants the sales of the shares sold to be reversed, provide him with a certificate free of charge or the original amount invested returned to him in cash.

## What happened

Mr A opened a Child Trust Fund account for his son in 2009 with the predecessor business of EQi. The account was migrated to EQi in 2014/2015. EQi sold some of the shares held within the Child Trust Fund account in order to clear the account management charges. Mr A complained to EQi as he said he was never advised of this or agreed to it and wanted the £500 originally invested to be repaid. He felt that he had been trapped and without any options.

In its response EQi rejected the complaint. It said;

- Mr A had been sent a Secure Message, with an email prompt, on 9 March 2018 advising the fees were being introduced and would be applied annually from January 2019. Mr A was also written to.
- Mr A was advised that if an account didn't have sufficient cash to meet the fees then EQi reserved the right to make a partial sale of the account assets to clear the debit.
- The funds on the account could be withdrawn when the child reached 18 years of age. Or the investment could be re-registered to a new provider and held in nominee.

Mr A wasn't happy with the outcome and brought his complaint to the Financial Ombudsman Service. Our investigator who considered the complaint didn't think EQi had done anything wrong. She said;

- Mr A had carried out a purchase on the account in May 2019 which suggested that he had previously agreed to the transfer of the account and new terms and conditions.
- Mr A was messaged about the introduction of fees in 2018 plus EQi's right to sell shares to recover any debt.
- The account couldn't be closed until the child reached the age of 18 or the account could be transferred to another provider.

Mr A didn't agree. He said that EQi had been allowed to lure customers and later change the account terms to grab his money. He was told by the predecessor business that no charges would be incurred on a Child Trust Fund account. EQi was just going to consume the assets in the account. He should have been written to about the change to the terms and conditions.

Mr A maintained that he refused EQi's terms and conditions, he wanted to close the account and be issued a paper share certificate. If he were to sell the account holding, there would be very little of value left to transfer.

As the complaint remains unresolved, it has been passed to me for a 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.

#### Account migration and new terms and conditions

The predecessor business mailed to its customers a Transfer Fact Sheet at the time of the transfer which confirmed the details of the changes and that if a customer wished to consent to the transfer, then they would need to accept EQi's terms and conditions 'which are in line with those you currently have with [the predecessor business]'. A link was provided to do this on line or Mr A could sign and return the consent form that was enclosed. Alternatively, the account could be closed, and the usual transfer-out fees would be waived. It also advised that for Child Trust Funds the investment couldn't be in certificated form or encashed and paid out.

Mr A has said he didn't agree with the new terms and conditions. When we spoke with EQi it wasn't able to identify the actual date of Mr A accepting those terms and conditions. But I note that the Transfer Fact Sheet outlined what would happen if no action was taken by the customer i.e. no response or transfer request. If that were the case it would be assumed by EQi that the customer didn't want to close the account, the account would be transferred to EQi but the customer would only be offered a limited service.

However, we do know that Mr A carried out a transaction on the account May 2019 so he must have agreed to those terms and conditions sometime prior to placing that trade. So, while it might not be Mr A's recollection that he did accept those terms and conditions, the evidence suggests that its most likely that he did.

Those terms and conditions include the following clause;

'19.12 Withdrawals from a CTF Account before the date on which the Child attains the age of 18 years may only be made:

- (a) By us, in our capacity as the account provider, to settle any fees and administrative charges, which are properly due to us in respect of the CTF Account. Details of our current fees and charges which apply are set out in our Price List;'

EQi mailed a 'frequently asked questions' document at the time of the transfer of the account from the predecessor business to EQi. Included was a section for customers who had a Child Trust Fund which advised if the account wasn't to be transferred to EQi they could be transferred to another account provider.

Taking the above into account, I'm satisfied that Mr A was given sufficient information about the migration of the account at the time. And he was also given sufficient information about what action he could take if he didn't want the transfer to go ahead.

#### Introduction of fees

I've seen a copy of the Secure Message that was sent to Mr A on 9 March 2018. It explained that a new Funds Platform Fee of 0.3% per annum to cover its costs was being introduced and which would come into effect from 1 April 2018. It continued to explain that if there were insufficient funds on account to meet the fees, it reserved the right to sell sufficient of the account assets to clear the debt at a reduced commission. Information was given about how to credit funds to the account to the account in order to pay the fee.

I've also seen the follow up Secure Message sent on 23 May which I note was read by Mr A on 6 August 2018. Part of the message referred to the custody fee charges it had introduced and that those fees would apply annually in January of each year with effect from January 2019.

Mr A was messaged again on 20 March 2020 with the details of the fees charged to the account for 2019. I've also seen a copy of the Secure Message sent to Mr A on 26 May 2021 advising that the Child Trust Fund Account was overdrawn following the recent annual fee debit. If funds weren't credited to the account, then investments would be sold.

I can see that Mr A was written to on 8 January 2021 to advise him of the charges for January to December 2020 and they would be debited from the account on 20 January. Mr A was written to again on 7 January 2022 and 24 January 2023 detailing the previous years' charges and that EQi wasn't able to accommodate overdrafts on accounts and that assets would be sold if there was insufficient cash on account. Five shares were sold on 8 July 2021 and three shares were sold on 22 February 2023. Over the years, a total of 63p had been debited for account management charges.

Mr A has said he didn't see the Secure Messages EQi sent as he didn't check the online account. But when he did, he contacted EQi on 13 March 2023 saying that he had opened the account with the predecessor business because it was free of charges. He was upset those shares had been sold without his permission.

It is unfortunate that Mr A didn't access the majority of the Secure Messages sent to the account until 2023. And I understand that he has referred to the non-receipt of postal communications. But I understand any post was sent to his registered address and he could elect to receive communications by post. Mr A did have email alert preferences in place which would have highlighted when messages were sent.

Overall, I'm satisfied that EQi communicated appropriately with Mr A, and I don't find that EQi is at fault because Mr A didn't read those Secure Messages. I'm satisfied that post was sent Mr A's registered address. And I'm also satisfied that EQi acted within its terms and conditions and is entitled to alter its charging structure as it considers necessary.

#### What action can be taken on the Child Trust Account

Mr A has said he wants the account shareholding to be returned to him in certificated form i.e. he wants a paper certificate. But Child Trust Funds come with certain rules attached. And a part of those rules is that an account cannot be closed until a child's 18<sup>th</sup> birthday. The account could either be transferred to another nominee provider either in cash or cash and shares. However, the Trust's assets cannot be transferred to either the child or the legal parent/guardian;

'19.13. Except as provided in section 19.12, you cannot close a CTF Account before the Child attains their 18<sup>th</sup> birthday. If you fail to complaint with any of the CTF Regulations, the CTF Account may become void. We will inform you if this happens.'

Mr A has said that EQi will continue selling shares to cover fees charged and this will have a negative impact on his son's account and assets for when he is 18 years old. The value of the account assets has been impacted by a 63p account charge since they were introduced. Mr A could have kept the account asset in cash at the outset if he had wanted and it should be borne in mind it is the holding within the account that has fallen in value – it's the share price that has decreased and which has caused a fall in value of the assets, but this isn't any responsibility of EQi as it is an execution only account.

So, if Mr A wants to prevent any future asset sales to cover fees, he can either decide to transfer the Child Trust Fund to another product provider, or he can ensure the account has sufficient funds to pay those fees.

Taking all of the above into account, I haven't seen any evidence that EQi acted outside of the terms and conditions of the account. And it informed Mr A of any changes to those terms and conditions via appropriate methods. It follows that I don't uphold Mr A's complaint. No doubt Mr A will be disappointed with the outcome to his complaint. It's clear he feels strongly about it. But I hope I have been able to explain how and why I have reached that decision.

### **My final decision**

For the reasons given, I don't uphold Mr A's complaint about the administration of his son's Child Trust Fund account by Equiniti Financial Services Limited trading as EQi.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 28 February 2024.

Catherine Langley  
**Ombudsman**