

The complaint

Mr M complains that Interactive Investor Services Limited (“IISL”) failed to maintain the tax-efficient status of his investments when they were transferred to the firm from another provider.

What happened

Mr M held investments with a provider I will call H. Some of those investments were held in an ISA (formerly a PEP). In November 2020 Mr M decided to transfer all his investments from H to a firm called The Share Centre. That firm has since become the responsibility of IISL, so it is IISL that is responsible for what happened during the transfer and for dealing with Mr M’s complaint. In this decision, for ease, I will simply refer to both firms as IISL.

In November 2020 Mr M only held a standard investment account with IISL. He completed a form requesting that all the investments he held with H be transferred into that account. IISL requested the transfer and the investments were added to Mr M’s account with IISL in January 2021.

Mr M complained to IISL as he was unhappy at losing the tax-free status of his investments. IISL said that it was initially unaware that Mr M was requesting the transfer of investments from an ISA. It said that only became apparent when it received confirmation of the completion of the transfer from H. But it said that, even if it had been aware that some of the investments with H were held in an ISA, it wouldn’t have found Mr M’s request so unusual (for a transfer from ISA to non-ISA account) that it would have asked further questions before it was completed. Unhappy with that response Mr M brought his complaint to us.

Mr M’s complaint has been assessed by one of our investigators. He thought that the transfer instruction Mr M had given to IISL was for a transfer to a standard account rather than an ISA. So he didn’t think IISL had done anything wrong in how it had dealt with Mr M’s request. He didn’t think Mr M’s complaint should be upheld.

Mr M didn’t agree with that assessment. So, as the complaint hasn’t been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr M and by IISL. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

IISL has provided us with a copy of the application form that Mr M completed when he instructed IISL to request the transfer of his investments from H. And IISL has provided us with an archive copy of its website, that Mr M would have used to download the form that he completed. The website offered consumers different forms depending on whether the transfer was to an ISA account, or a general share account.

The form that Mr M completed was for the transfer of investments to his general account. Mr M confirmed on the form that he wanted all the investments he held with H to be transferred to his account with IISL. And, quite importantly here, the account he held with IISL was a standard investment account – he didn't hold any tax efficient accounts such as an ISA with the firm.

IISL has said that the information it received from Mr M didn't provide any suggestion that the investments were being transferred from an ISA. And since Mr M only held a standard account with the firm, the request didn't raise any suspicion that Mr M might have been moving investments from a tax efficient account. But IISL says, even if it had been aware that Mr M was transferring from an ISA, it wouldn't have been something that caused any concerns. It says customers do make transfers of that nature from time to time. And in my experience that isn't an unreasonable position for the firm to take.

Mr M's relationship with IISL was purely on an execution only basis. Basically that means that IISL wasn't responsible for providing advice to Mr M about his investments. IISL was only responsible for carrying out Mr M's instructions in a timely manner. So it wasn't for IISL to question the instruction it received from Mr M.

I am satisfied that the instruction Mr M gave to IISL was for his investments to be transferred from H into the standard investment account he held with the firm. And IISL completed those instructions correctly. So, although I am sure my decision will be disappointing for Mr M, I don't think IISL has done anything wrong.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Interactive Investor Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 April 2024.

Paul Reilly
Ombudsman