

The complaint

Mr C complained that redress offered by Financial Administration Services Limited (trading as 'Fidelity'), after they made an admitted pricing error, was unreasonable.

What happened

Mr C held an execution-only share dealing account with Fidelity.

6 August 2022 - Mr C gave instructions to Fidelity to invest £425 in a fund (which I'll call the 'L' fund).

8 August 2022 – Fidelity carried out Mr C's instructions and invested £425, purchasing units in the L fund. Due to a pricing error, the buy was incorrectly priced at £1.4078 per unit when the unit price was 100 times more than this.

11 August 2022 – Fidelity sent Mr C an automatically generated 'Confirmation of your Investment' letter saying that 301.89 units had been bought in the L fund at £1.407793. The same day, it made an adjustment on his account for £42,712.68 correcting the unit pricing.

22 September 2022 - Fidelity manually sent Mr C the correct 'Confirmation of Transaction' – showing that his £425 investment had bought 3.02 units in the L fund at £140.7793.

Mr C was concerned to see the adjustment transaction showing around £42,000 being moved out of his account – he thought Fidelity had made a mistake. And he objected to Fidelity taking funds from his account without his knowledge or permission. He wanted Fidelity to undo the correction they'd made and pay him compensation for what they had done.

Fidelity upheld his complaint. They said that on 8 August, a system error meant the unit price had been incorrectly shown £100 lower per unit than it should have been. So Fidelity had performed the appropriate corrective actions to accurately reflect Mr C's £425 investment in the L fund and made the adjustment to claw back the incorrect price per unit used in the transaction. Fidelity apologised for the standard of service it had provided on this occasion and offered Mr C £50 as a gesture of goodwill.

Mr C wasn't happy with this response. He said Fidelity should have checked properly to ensure the price was correct and it wasn't acceptable to give him the wrong price, put the trade through and then try to undo the trade without his permission. Our investigator didn't agree with Mr C. She was satisfied that Fidelity had taken fair and reasonable steps to rectify its error and by adjusting the value of the L fund in Mr C's account, he was in the same position as if the error hadn't occurred. She thought that £50 compensation was fair to reflect the fact that Fidelity had mismanaged Mr C's expectations regarding the price and so she said she wasn't upholding his complaint.

Mr C disagreed. In brief summary, he mainly said:

- the investigator had disregarded what he'd said about never having received any

SMS, letter or any kind of contact from Fidelity regarding what was going on and instead she had '*...chosen to believe Fidelity's version of events*'

- he disputes the investigator's timeframe and says she made an error when referring to when the deal was done and when the correction was made (*although I think Mr C may have misread this part of the investigator's view which refers to the adjustment to Mr C's account being made on the same day Fidelity sent the incorrect pricing information – which doesn't seem to be in dispute*)
- Fidelity's terms and conditions state they are legally responsible to the client for their actions if they are negligent and incorrectly pricing a fund 100 times cheaper than it should be amounts to negligence when Fidelity's systems and error checking should not allow these mistakes to occur
- once a deal is confirmed it is legally irreversible and funds in his account cannot lawfully be removed without his permission.

The complaint came to me to decide. I issued a provisional decision.

What I said in my provisional decision

Here are some of the main things I said.

I do appreciate how strongly Mr C feels about this complaint. My role is to consider all the evidence presented by the parties and reach a fair and reasonable decision based on the facts of the case. We provide an informal complaints handling service and this is reflected in our approach.

It seems to me that Mr C's main complaint is that Fidelity hasn't accepted that they should bear the financial consequences of their error and they weren't entitled retrospectively to correct the pricing error by recovering the £42,000 subsequently removed from his account.

Fidelity agreed that it was responsible for a systems error which meant that the units in the L fund were priced incorrectly. So I don't need to say more about how the error happened or make any findings about what's already been agreed. I'm going to concentrate in my decision on what Fidelity should fairly and reasonably do to put things right in these circumstances.

I can't determine whether or not Fidelity has acted illegally or if it has been 'negligent' in law in the same way that a court or tribunal would. I can tell Fidelity to pay compensation or take other steps to put things right if I am satisfied that Fidelity did something wrong or acted unfairly or unreasonably – and this led to Mr C suffering financial loss or some other detriment.

I've thought first about whether Mr C has suffered any financial loss as a result of Fidelity's systems error. On 8 August, units in the L fund actually cost £140.773, so Mr C's £425 would have bought him 3.02 units in the fund. The terms and conditions Mr C signed up to in order to be able to trade allow Fidelity to make corrections when they make a mistake. So I find that Fidelity didn't act unfairly or unreasonably when they made the correction on Mr C's account after identifying their pricing error.

I can't fairly say that Mr C has suffered a £42,000 or so financial loss (or any other financial loss) in these circumstances. The correction Fidelity made has put Mr C into the position he should've been in, but for Fidelity's error. It was reasonable to restore Mr C to the position

he should have been in – this reflects the Ombudsman approach and it's what I would have directed Fidelity to do if it hadn't already taken this action.

Fair compensation also needs to properly reflect the impact on Mr C of Fidelity's service failings and I've thought carefully about this.

After the pricing error, Fidelity needed to take steps to put things right as soon as possible. Here, the account correction was made three days after the trade on 8 August, which seems a broadly reasonable timescale to me. It's unfortunate that Fidelity's automatically generated letter confirming the incorrect pricing information went to Mr C on the same day. I can see how that would have been confusing. And given the magnitude of the pricing error, Fidelity could reasonably have anticipated that Mr C might experience some alarm when an amount in excess of £42,000 was removed from his account, without any explanation.

Fidelity has sent me details from its system records showing it called Mr C on 12 August and left a voicemail message requesting him to call back on a free phone number it gave him. Following this, Fidelity sent him a text message. I appreciate that Mr C disputes this. But 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 or contradictory information. And I must be impartial. There's more information on our website which explains the Financial Ombudsman Service approach. Here, although I don't doubt that Mr C is certain about what he's told us, I think it's reasonable to rely on Fidelity's system records as evidence of what they did at their end. However, it wasn't until well over a month later that Fidelity manually sent Mr C the revised 'Confirmation of Transaction' dated 22 September 2022 showing the correct information, although I note that didn't include any specific reference to the corrective action taken on his account. I think Fidelity could and should have done more to establish direct contact with Mr C and explain things sooner than it did.

On the other hand, as part of our approach to redress, we expect consumers to take mitigating steps to limit the impact on themselves if a business makes a mistake. And I've kept in mind that Mr C could've seen that the pricing information shown on Fidelity's 11 August letter was very significantly and unexpectedly out of line with the unit price he'd paid when investing in the same fund just a few weeks earlier. So it's reasonable to think that Mr C might have wanted to contact Fidelity himself to double check this – and, especially when he saw the money being taken from his account, I would have expected him to contact Fidelity directly to query this if he'd been concerned they were acting incorrectly. Had he done so, I think it's likely he would have found out what had happened and he could have avoided much of the stress and anxiety this situation has caused him.

All in all, taking all this into consideration, I consider Fidelity's £50 offer is fair and reasonable.'

What the parties said in response to my provisional decision

Mr C disagrees with what I've said and intends to explore other options for pursuing his complaint. Fidelity has made no substantive comment on what I've said in my provisional 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.

Having done so, and as no further comments have been received in response to my provisional decision that change what I think about this case, I still think my provisional decision is fair.

Putting things right

If it hasn't already done so, Fidelity should pay Mr C the £50 compensation it has offered to reflect the shortcomings I have identified in the service it provided to Mr C.

My final decision

I uphold Mr C's complaint and Financial Administration Services Limited (trading as Fidelity) 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 C to accept or reject my decision before 16 October 2023.

Susan Webb
Ombudsman