

The complaint

Mr P complains that AJ Bell Securities Limited unfairly cancelled three trades he had placed, causing him financial loss.

What happened

On 19 December 2022 at 8.13am Mr P placed a trade in each of his AJ Bell ISA, dealing account and SIPP, to sell a combined total of just over 89,000 shares in a Wisdomtree ETF, for around £4,200,000. At 8.53am AJ Bell notified him that the trades had been cancelled and explained that the shares shouldn't have been available for him to trade. This was due to an ongoing share consolidation. Instead of having 89,000 shares, Mr P only had 684 shares following the consolidation. Mr P complained as he felt he was entitled to the £4,200,000, as he'd received contract notes from AJ Bell and the money had already been showing as credited to his online account.

AJ Bell explained that due to the consolidation, there ought to have been a block on sales of the shares. At the time Mr P placed the trade, the share price had been updated to show the new, post-consolidation share price, but the number of shares Mr P owned hadn't been updated – they apologised and offered £100 compensation. However, they said they didn't have to honour the sale, as under the terms they were allowed to block any instruction that would breach regulatory requirements. Mr P no longer actually owned 89,000 shares and so to fulfil the sale with the counterparty, AJ Bell would have had to sell other client's shares – which they said would have been a breach of regulation.

As he remained unhappy, Mr P brought the complaint to our service and an Investigator looked into it. The Investigator didn't uphold it and found that the £100 was fair and reasonable for the disappointment caused. Mr P said that he accepts AJ Bell made an error, but he still feels they owe him amount promised in the contract notes. As he didn't agree, the complaint 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.

Having done so, I've reached the same conclusion as the investigator for largely the same reasons. Both parties agree that AJ Bell made an error in allowing Mr P to place his trade, and for completeness I agree. So, my decision focuses on what ought to have happened following the discovery of the error and how the situation should be put right.

I can see that although Mr P placed the trade on 19 December 2022, the contract notes he received confirmed that the settlement date would be 21 December 2022. In general, when trading shares, trades are not complete until they've settled, and problems can be identified between the trade and settlement dates which means the trade can't be settled.

I appreciate his accounts were showing as having received the money from the sale following the placing of the trade. However, it's not uncommon that the broker credits an account in this way, prior to receiving the money from the buyer, and I can see that under

the terms, Mr P wouldn't have actually been able to withdraw the cash until the settlement date. Particularly, the terms say:

22.1 Details of the date on which your Order is intended to settle will be given in the Contract Note. For a sell Order, this is when we would expect to receive the sale proceeds. For a buy Order, this is when we would expect to receive the investment. For most investments, settlement will take place between 1 and 5 Business Days after the Order is executed.

22.2 However, the date on which the settlement of your Order actually takes place may differ from the intended settlement date. You will be exposed to the risk of a Settlement Failure until such time as settlement actually takes place on the actual settlement date. For sale Orders, once actual settlement has taken place, you will then be able to withdraw the sale proceeds from your Account.

I've considered those terms alongside the one AJ Bell has sought to rely upon, which says:

18.4 We reserve the right for any reason to refuse to:

- (a) execute an Order but will act reasonably in so doing;*
- (b) act on any instruction you give us on an investment, which could result in a breach of a Regulatory Requirements, or, if the instruction has already been acted upon, to take any action which we consider appropriate to reverse your instruction, and*

in each case we will try to notify you of the reason.

Mr P no longer actually held 89,000 shares and so would have been unable to fulfil the order alone, had it gone through to settlement. Had AJ Bell allowed it to go through, then that would have had to involve them selling the shares they held on behalf of other investors alongside Mr P's shares. That's what they consider would have been a regulatory breach under 18.4(b). So, taking all of the above into account, in the circumstances, I think it was fair and reasonable for AJ Bell to rely on these terms to cancel the trade.

I've also considered whether Mr P ought to have been aware of a potential issue prior to placing the trade. Mr P was sent a notification on 13 December 2022, which explained the share consolidation would mean he'd be credited with one new share for every 130 shares held, and that the share price would be expected to rise, to reduce the impact to the market value of the shares. So, Mr P had been warned of the fact his shareholding would be changing. Though Mr P says he didn't read this until after the trade was placed, I'm satisfied AJ Bell had notified him of it, in a clear and fair manner.

Mr P has also explained that his reason for placing the shares was because of the dramatic increase in the share price since the previous trading day – from 37.15p to 4,710p. This equates to an increase of over 12,000%, which is an improbable level of overnight growth. Together with the notification of the consolidation, I think Mr P ought to have been aware that there was something wrong with the price he was quoted for the trades.

My aim is to put Mr P in the position he'd be in now, had the error not occurred. I consider the initial error was AJ Bell failing to place a block on the trading of these shares. It follows that if the block had been placed, Mr P wouldn't have been able to trade at all and would then have owned 684 shares following the consolidation. I understand he had that number of shares post-cancellation of the trade, so I'm satisfied AJ Bell did put him in the position he would have been in, if he hadn't been able to trade.

I'm also satisfied Mr P hasn't lost out financially due to this situation - Mr P's shares in this ETF were never actually worth £4,200,000 as he didn't own as many at the higher price as

he thought. However, he has clearly been caused disappointment by the situation, and I think he deserves compensation for the loss of expectation. I can see that AJ Bell let him know in less than an hour from the time he placed the trade, that it had been cancelled. So, Mr P wasn't under the wrong impression for long. Taking into account what I've said above about the increase in the share price being improbable, I'm persuaded that the £100 offered by AJ Bell is fair and reasonable in the circumstances.

My final decision

AJ Bell Securities Limited has already made an offer to pay £100 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that AJ Bell Securities Limited should pay Mr P £100.

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

Katie Haywood
Ombudsman