

The complaint

Mr B complains that Embark Investment Services Limited, trading as Stocktrade ("Stocktrade"), blocked his account and didn't allow him to place a sale. By the time the block was removed, and he was able to trade, the price had moved against him. He wants Stocktrade to reimburse him for the loss.

What happened

Mr B has a SIPP with a business I'll refer to as "F". This is managed by a business I'll refer to as "S". S opened a trading account with Stocktrade, and Mr B was provided with online access to allow him to trade on his account.

On 1 February 2023, Mr B placed an online order to buy shares in a company which I'll refer to as "V". Within five to ten minutes, the value of V shares had increased, and Mr B placed online orders to sell his shares, but he didn't proceed with the sale when he received the price quote. The third time he placed a sale order, he was temporarily blocked from obtaining further quotes, as he'd asked for too many. He was directed to wait 15 minutes, or phone Stocktrade to place the order with its dealing desk. Mr B phoned to place the sale order, but Stocktrade quoted a lower price than he'd previously been quoted online, and he decided not to sell. During the call, the dealer realised Stocktrade didn't have Mr B's correct home address in its records, so it passed him to its administration team. They said they could only update his address if instructed by S, and his account was blocked until the address details could be confirmed.

More recently, it's been discovered that Mr B had given his change of address details to F in or around November 2022. F didn't take down the address correctly; it read the wrong information back to Mr B, but he confirmed it as correct. This wrong address was then passed to S, and from S to Stocktrade. Mr B had contacted Stocktrade in December 2022 to tell him his address was wrong. But in both December 2022 and in February 2023, Stocktrade explained that it couldn't update Mr B's address; it could only take instructions from S, as the SIPP manager.

In summary, because it was clear of the distress being caused to Mr B because he couldn't sell V shares, Stocktrade contacted S, who in turn contacted F to get the correct address. Stocktrade was able to update Mr B's address at 4.35pm on 1 February and Stocktrade's timeline says it removed the block on his account at 4.55pm. It phoned Mr B to tell him the block had been removed at 2.15pm the following day. It said that, although Mr B bought and sold V shares on 6 February, he still holds the shares he bought on 1 February.

Stocktrade didn't uphold Mr B's complaint. It said the address in its records had been provided by S and it could only accept changes from S, as the account owner. It said it followed correct processes and procedures when it blocked Mr B's account and that it removed the block within a short period of time.

Our investigator thought the complaint should be upheld. She said Stocktrade has a responsibility to keep accurate records and that it was made aware on 22 December 2022 that the address it held for Mr B was wrong. She thought it should have done more to make

sure it held Mr B's correct address and that, had it done so, Mr B would have been able to sell V shares when he phoned the dealing desk on 1 February. She recommended Stocktrade bought back the V shares from Mr B at 0.9301p, the price he was quoted online. And that it should pay Mr B £650 for the distress and inconvenience caused.

Neither party agreed, so the complaint was passed to me.

My provisional decision

I didn't agree with the investigator that Stocktrade had caused Mr B a financial loss. But I did agree it had caused Mr B distress and inconvenience and that the £650 recommended by the investigator was fair and reasonable. I issued a provisional decision to explain why, and to give both parties the opportunity to provide further responses for me to consider. I said:

Mr B was given access to his account and had access to its online and telephone dealing service, by S. In accessing and dealing on his account, he was subject to Stocktrade's account terms and conditions and its Third Party Investment Account (TPIA) Service Guide.

Initial temporary account block

On the morning of 1 February 2023, Mr B bought 1,500,000 V shares at 0.87p per share. Shortly after purchase, he wanted to take advantage of an increase in price and tried to sell the shares. He told us he'd received an online quote of 0.9301p but that his attempt to sell was rejected. But I find it's more likely that he placed a sale order and then rejected the quote. I say this because he must've placed an order before he obtained a quote, and he would then have been given the opportunity to accept or reject that quote.

Stocktrade told us that Mr B had asked for too many price quotes in a short space of time and so he was temporarily barred from placing further online orders. Mr B accepted this when he called the dealing desk.

Stocktrade's TPIA Service Guide says:

"If you carry out 2 orders in the same security online, and attempt another within a 30 minute period, you will be stopped and presented with a warning message and you will not be permitted to deal further in that security until 30 minutes after your last order." (Page 6)

I find that Stocktrade acted reasonably, and in line with its agreed terms, in temporarily stopping Mr B from dealing online in V shares. It didn't have any obligation to provide a further quote online after Mr B received and rejected two quotes in quick succession. It's only obligation, as outlined in its terms, was to provide a telephone trading facility.

Telephone dealing desk

Mr B phoned Stocktrade's dealing desk to place a sale in V shares. The dealer asked Mr B various questions for security purposes. Unfortunately, Mr B, having recently moved, gave the dealer an incorrect postcode, which didn't match either his previous or his current address. But, as became clear later, in any event, Stocktrade didn't hold Mr B's correct address because it had been given the wrong one.

The dealer asked Mr B other questions which he successfully answered. Whilst the dealer didn't confirm that Mr B had passed security, he proceeded to ask, "What are you looking to do on V?" and "You're looking to sell how many?". He confirmed the price was "about 0.88 at the moment". I think it more likely than not that the dealer would have taken Mr B's sale instruction had he wanted to go ahead at that price. But Mr B said:

"Well, I was looking to sell but maybe now be as well waiting because it's dropped back...to 88 to 90...so I can see it's maybe starting to go back up again so I'll maybe just wait."

So I think Stocktrade would have accepted Mr B's sale instructions during this call, but that he chose not to trade at the indication price the dealer gave him. This is further supported by the fact that the dealer said if Mr B wanted to trade within the next 30 minutes and the trading block was still on his account, "just phone us and we'll do the trade for you immediately". So it would seem the problem with his address wasn't a barrier to him trading – until he was passed to Stocktrade's administration team.

Block placed on account due to address record

Following his call with the dealing desk, Mr B was passed to Stocktrade's administration team because of the address discrepancy. Stocktrade said it would have to place a block on Mr B's account until the discrepancy could be resolved. From this point, he lost online access to his account, and couldn't trade by telephone.

When Mr B moved house he contacted F to give it his new address. It was F's responsibility to tell S, and in turn S was obliged to tell Stocktrade. In February 2023 it wasn't clear why Stocktrade didn't hold the correct address. We know now that when Mr B phoned F and it read the address back to him, Mr B confirmed the details were correct, when they weren't. The door number was wrong and there was a spelling mistake in the address. The wrong address was therefore passed onto S, and in turn to Stocktrade. So it wasn't Stocktrade's fault that it recorded the wrong address for Mr B.

But Mr B phoned Stocktrade in December 2022 to tell it that he'd noticed his address was wrong when he received his annual statement. Stocktrade said it couldn't update his address without confirmation from S. Mr B said S wouldn't talk to him – it will only take instructions from F. Stocktrade said, in the circumstances, it would contact S. I can see that it emailed S on the same day to tell it what address Mr B had given it and to ask for confirmation from S that it should change the address in its systems. S didn't reply and Stocktrade took no further action.

I've thought about this carefully. I think Stocktrade could and should have done more to resolve this in December. It knew it held an inaccurate record for Mr B – it was satisfied that Mr B was the authorised third party on the account and it was satisfied that it was Mr B who had telephoned it with his address details. And, based on its actions in February, it probably should have blocked Mr B's account in December when he made it aware of the address discrepancy. It reasonably needed S's confirmation (as the account owner) to update the address and, knowing its records were most likely wrong, it should reasonably have followed up its email when it didn't hear anything. Or it should have told Mr B he would need to contact F or S to get the matter resolved. Had it done so, I think – based on what happened in February - it would have been able to update its records with Mr B's correct home address within a reasonable timescale. And, whilst Mr B may have been in a worse position for a

short while in December – his account should have been blocked then - the account wouldn't have been blocked in February.

Mr B made many phone calls to Stocktrade, and to F, throughout the day on 2 February. It's important to note that Mr B was a frequent trader on his account and his trading pattern shows he was frequently buying and selling the same stocks to try to make short term profits on his holdings. Consequently, he became increasingly distressed because he was unable to trade.

Stocktrade did take steps to try to resolve this quickly for Mr B. Whilst it said it was Mr B's responsibility to tell F his correct address, so that it could be passed to S and then to it, it contacted S on his behalf.

S provided Stocktrade with Mr B's correct address at 4.35pm on 1 February. Stocktrade updated its records and removed the trading suspension around 20 minutes later. But it didn't contact Mr B to tell him the suspension had been lifted until 2.15pm the following day. It's not been able to explain why it didn't contact Mr B earlier, particularly when it knew how distressed he'd been and that he probably wanted to trade. In the circumstances I find Stocktrade should have tried to contact Mr B more urgently than it did to put his mind at rest that the issue had been sorted, and to allow him to trade.

I need to consider whether Stocktrade's failure to ensure Mr B's address was updated at an earlier stage caused Mr B any financial, and non-financial, loss for which he should be compensated.

Did Stocktrade cause Mr B a financial loss?

It's clear Mr B was trading on a very frequent basis. His objective was to make short term profit by trading relatively high volumes in small cap stocks, aiming to buy low and sell high. The two stocks he says he would have traded if his account hadn't been blocked were both high volatility stocks, which often experienced large price movements across the trading day. The nature of these stocks, and their price movements, makes it difficult to say with any certainty exactly when Mr B would have traded, and what price he might have achieved – the market price not necessarily being available for the volume he wanted to trade.

For V shares, I can see that on 2 February 2023, when Mr B's account had been unblocked but Stocktrade hadn't told him, V shares opened at 0.9p and the high price for the day was 1.1p. Whilst Mr B might have traded had he known his account was unblocked, for me to conclude that Stocktrade caused him a financial loss, I would have to decide it was more likely than not that he would have accepted the price he was quoted and proceeded with an order to sell. I'm sorry to disappoint Mr B but, on balance, I can't reach that conclusion. I say this because for large parts of the day the price of V shares was lower than the price Mr V paid for them, the low price for the day being 0.62p. And, whilst the market price did rise above the price Mr B paid for short periods, it doesn't automatically follow that Mr B would have been able to sell his holding at that price. And, even if Mr B was quoted a price higher than the 0.87p he purchased V shares for, he may not have accepted it - he didn't want to trade at 0.88p, the price given by the dealing desk. And he hadn't traded online when he was quoted 0.9301p.

Turning to C shares, Mr B says that at 2.35pm on 1 February C made an announcement that led to a drop in price. I've listened to the call recordings, and I can hear Mr B was very distressed that he could see the price of C falling, meaning

his SIPP was losing value, but he couldn't do anything about it. Our investigator said there was no evidence Mr B wanted to place a sale. Mr B initially accepted the investigator's view. But, when we told him Stocktrade didn't agree it was at fault, he asked that his loss on C, of around £15,000, be taken into account.

Again, I can't conclude with any certainty that if Mr B's account wasn't blocked that he would have sold C shares. The price fell away sharply following a news release and, had he been able to trade, he would have incurred a substantial loss. I don't think Mr B would have wanted to crystallise the large loss on his shares. I say that because the price of C shares recovered somewhat on the following day, once Mr B knew his account had been unblocked, but he didn't sell C shares then, which suggests to me that he'd decided to hold onto the shares in the hope that the price would recover. I think it's more likely than not that he wouldn't have sold the shares at such a large loss if he'd been able to during the period his account was blocked, or he understood it to be blocked because Stocktrade hadn't told him it had been unblocked.

I appreciate Mr B will be disappointed with my decision, but for the reasons I've explained, I don't find Stocktrade is obliged to compensate Mr B for any financial loss.

Distress and inconvenience

Mr B spent most of the day on 1 February on the phone to Stocktrade trying to resolve the address discrepancy. He became very distressed, and the suspension of his account had a severe impact on his wellbeing. Whilst Stocktrade did take steps to try to resolve the matter, once it was resolved it didn't act quickly enough to let Mr B know. The investigator recommended Stocktrade pay Mr B £650 compensation for the distress and inconvenience he was caused, and I find this to be fair and reasonable in the circumstances. In arriving at this conclusion, I've taken into account that it wasn't Stocktrade's fault that it held the wrong address for Mr B. And, in all likelihood, it should have blocked his account in December when it knew it held the wrong address. Had it acted correctly in December, it would have prevented the issues Mr B complains about in February, but Mr B would have found himself in a similar situation in December and Stocktrade would not have been at fault. But the delay in telling Mr B his account had been unblocked meant he was caused distress for a longer period than he should have.

Responses to my provisional decision

Stocktrade said £650 compensation was too high. Whilst it accepted what happened was stressful for Mr B, it said it gave him correct advice on how his details should be updated; that it went outside of its standard process to help Mr B; and that, whilst it could have told Mr B sooner that the block had been removed, it still acted within a reasonable timescale.

Mr B responded in detail, and I won't repeat everything he's said here although I will respond to what I consider to be his key points in the section below. In summary, he didn't agree with my provisional decision and thought it contained some wrong facts. He thought if Stocktrade had done what it said it would do in December 2022, then things wouldn't have gone wrong in February 2023. And he maintained he would have sold V shares at a profit and would have sold C shares before the price fell away and should be compensated for that.

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.

As I noted in my provisional decision, there is a considerable amount of information here. Mr B has provided a very detailed response to my provisional decision. I have read and considered his further submissions in their entirety, but I can't respond to every point he's made. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

I've used sub-headings for ease of reading.

Stocktrade's misrepresentation of facts, missing evidence, and responsibility of F and S

Mr B says three businesses were involved here and all made mistakes, but he is being blamed for what went wrong. And he is concerned that Stocktrade has been selective in its evidence and has misrepresented what happened.

I appreciate the change of address process involved F and S as well as Stocktrade. For the purposes of this decision, I can only consider the actions of Stocktrade and what it has or hasn't done wrong.

I don't find Stocktrade has purposely misrepresented anything here and it's provided the records and evidence that we've decided we need to complete our investigation. Where the evidence is incomplete, inconclusive, or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mr B feels he is being blamed for what went wrong. Whilst he unfortunately agreed the address details with F when it was wrongly read back to him, I realise this is because he mis-heard it, which is an easy mistake to make. And he took steps – such as contacting Stocktrade direct in December 2022 to give it his correct address, and phoning S to try to get it to communicate with Stocktrade when his account was blocked – to try to resolve the situation. As noted above, my role here is to decide if Stocktrade, rather than Mr B, did anything wrong.

Failure to sell V shares online

I accept what Mr B says about the reason for not selling V shares online at 0.903p. I had previously concluded it was more likely than not that he had placed a sale order and rejected the quote. But Mr B says he'd accepted the quote and the order didn't go through due to price movements. I accept this is probably the more likely explanation. But Stocktrade wasn't obliged to accept Mr B's online order, especially when the market for the shares was volatile. As set out in my provisional decision, I find Stocktrade acted in line with its terms and conditions when it instructed Mr B to phone its dealing desk if he wanted to trade.

Phone call with the dealing desk

Mr B says the dealer should have told him his address was slightly inaccurate, rather than saying it didn't hold any of the addresses Mr B provided. He says he would've sold V shares at 0.88 had he known his account was going to be blocked for the rest of the day but that it's wrong to assume the dealer would have placed the order because he'd failed to pass its security questions.

I don't find there was an obligation on the dealing desk to try to resolve the problem with Mr B's address or to suggest to him that there may only be a minor error. It correctly passed Mr B to its administration team so that it could investigate and agree what action was necessary.

Mr B says he didn't pass Stocktrade's security and so wouldn't have been able to give a phone order. I don't agree. The dealer asked him some alternative questions and, as I set out in my provisional decision, he asked what Mr B was looking to do and provided him with a quote. I am persuaded the dealer would have placed an order for the sale of V shares if Mr B had accepted the quote. So I think Stocktrade treated Mr B fairly in the circumstances.

Inability to sell C shares

Mr B says he didn't initially ask for his loss on C shares to be taken into account because he was so anxious about the situation, and he wasn't thinking straight. I'm sorry this wasn't what I reflected in my provisional decision and I'm happy to correct that here. I do understand how anxious Mr B was and the impact this situation has had on his wellbeing. And I can see how he could easily have forgotten to consider everything initially and only collected his thoughts as time has gone on.

Mr B says he would have sold C shares on the afternoon of 1 February when the price was continuously falling, in the hope of buying back later at a lower price. He says he didn't sell C shares when the price recovered to some extent on 2 February because he thought the impact of the bad news had largely been reflected in the share price and that this was a fair assumption at the time.

I've reconsidered this carefully, but I'm still not able to conclude with certainty that Mr B would have sold C shares for the reasons I set out in my provisional decision – the price of C fell away sharply on the afternoon of 1 February, and I think it's unlikely Mr B would've wanted to crystallise such a large loss. I think it more likely than not that he would have held his shares in the hope of recovery.

December 2022 call to change address

Mr B says that he didn't call Stocktrade in December 2022 to tell it his address was incorrect, he phoned it to provide it with his new address. Stocktrade said it would contact S and that it would arrange to get the address amended. If it had done that, the situation would have been resolved and his account wouldn't have been blocked in February. He says too much emphasis has been placed on him accepting the address when it was read back to him by F; but he'd given Stocktrade his correct address.

In my provisional decision, I explained why I thought Stocktrade should have done more in December 2022 to make sure it had Mr B's up to date address correctly recorded. Neither party has provided any new information that has caused me to change that conclusion. I'm satisfied that Stocktrade contacted S. But, when it didn't hear back, it didn't follow it up. It says this was outside of its usual procedure. I don't think that's reasonable. It had said it would confirm the address with S. It should have followed this up with S when it didn't receive a response to its email. Or it should have contacted Mr B to tell him so that he could contact F. It should also have reasonably realised at this stage that there'd been an error with the communication of the new address.

Delay in communicating lifting of the account block

Mr B says Stocktrade should have contacted him as soon as the block had been lifted. He might have been able to sell V shares at a profit if he'd been told the block had been removed.

Stocktrade says it notified Mr B within a reasonable timescale.

I haven't changed my conclusion about this. I don't think there's enough evidence to show Mr B could've sold V shares at a profit if he'd been told the block had been removed. But, knowing the high level of distress the blocking of the account was causing Mr B, Stocktrade should have acted with urgency to let him know when the account was unblocked.

Complaint resolution and offer

Mr B says Stocktrade phoned him several weeks after he complained to ask what he was looking for to resolve matters. He was told Stocktrade would compensate him if it had done anything wrong, but he never heard from the team again. Stocktrade hasn't provided a recording of this call.

I don't find this process unusual. Businesses will often call consumers who have raised a complaint to try to understand more about it and to see if it can be resolved. Stocktrade wasn't wrong to say it would compensate him if it had done anything wrong. The call took place before the final response was sent to Mr B and the final response was essentially the follow up to the phone call. Stocktrade didn't think it had done anything wrong, so it didn't make Mr B an offer. Whilst I don't agree with that conclusion, I don't find the process of phoning Mr B to discuss the complaint was wrong; and I don't find Stocktrade made an offer of compensation which it now needs to honour.

My final conclusions

Overall, I think Stocktrade should have done more in December 2022 when it knew it held the wrong address for Mr B; and in February 2023 when it should have told him more quickly that his account had been unblocked. It knows how much this upset Mr B and the resulting impact on his health and well-being. For that reason my conclusion remains unchanged that Stocktrade should pay Mr B £650 compensation for the distress and inconvenience caused.

And, whilst I've reconsidered whether Stocktrade is responsible for compensating Mr B for the financial loss he says he made because his account was blocked, my conclusion remains unchanged. For the reasons I've explained, I can't conclude with certainty that Mr B would have traded V shares or C shares if his account wasn't blocked.

My final decision

My final decision is that Embark Investment Services Limited, trading as Stocktrade, should pay Mr B £650.

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

Elizabeth Dawes
Ombudsman