

## **The complaint**

Mr and Mrs P complain that Investment Funds Direct Limited ('IFDL') has continually been unable to take the correct fees from their correct investment accounts and has sold units in their respective Individual Savings Accounts ('ISA') to pay fees without authorisation. They say this is despite the fact there was more than enough money in their general Investment account ('GIA') to cover fees, which is where the fees should have come from. They say they have complained many times before, but despite being promised the issue had been resolved, it has carried on. Mr and Mrs P say this forced them to remove their investments from the platform and go elsewhere at great cost.

## **What happened**

The following is a summary of the key events and background to this complaint.

Mr and Mrs P held investment accounts with IFDL, which included an ISA in their respective names and a GIA, which they were paying into regularly by direct debit to cover the associated adviser and platform fees.

Mr and Mrs P have complained to IFDL several times before about it collecting fees by selling units in their funds rather than taking them from their GIA, which they say had sufficient money in at all times to cover things. Their latest complaint was in May 2022, which IFDL responded to in September 2022. It said that it recognised there had been some confusion processing Mr and Mrs P's original request for fees to come from their GIA. It said in relation to Mr R's ISA, it had done this and it had also restored the units that were sold to fund the fees. But it said it now understood this isn't what Mr and Mrs P expected – they wanted it amended going forward rather than claw back fees already paid. It apologised for the miscommunication and accepted it should have clarified things before processing the changes. It said it wouldn't play around with the fees again at this stage and it offered £250 to settle the matter.

Dissatisfied with its response, Mr and Mrs P brought their complaint to us raising the issues I noted above. They said the problems have forced them to move most of their investments from IFDL because they couldn't get things resolved. They said they've lost money and ISA allowances because IFDL wouldn't allow a partial transfer and they couldn't find an alternative provider for some structured products they were advised to buy by their IFA. They said they have had compensation from IFDL in the past, but this isn't enough to cover what's fair. They said there appears to be a debt outstanding on their account for around £600, which IFDL says is owed for fees. They also said IFDL is still not collecting the correct fees from Mr P's structured product ISA.

IFDL provided a history of what had happened. It said its platform is set up to cover monthly account charges through auto disinvest. It said for this reason it hasn't been able to guarantee to collect fees from Mr and Mrs P's GIA and avoid the auto sale being triggered. It said this has led to Mr and Mrs P re-raising complaints when the charges have reverted back to their ISAs. It said explained to Mr and Mrs P that the issue is the timing difference between their monthly direct debit collection payment and the charges deduction date.

It provided a history of the complaints going back to 2020 and the agreed actions to resolve them, including providing copies of the spreadsheets it had sent to Mr and Mrs P showing the remedial work carried out to repost the fees wrongly taken from the ISAs to the GIA. The relevant points to note from the most recent complaint resolutions are as follows:

- March 2022 - IFDL refunded all of its platform charges incorrectly taken from Mr and Mrs P's ISAs (period July 2019 – June 2020) by reposting the fees month by month so the ISA growth was unaffected and then posting a credit into their GIA totalling £559.69 to fully cover the charge, which it described as a future buffer for charges. It also paid them £330.04 to cover the full cost of the ISA sell downs plus £500 for the distress and inconvenience caused.
- August 2022 – Complaint prompted by Mr and Mrs P's adviser being unhappy that their £611.98 fee had been clawed back. IFDL said this was because the GIA balance couldn't cover it. It offered £250 to Mr and Mrs P for the inconvenience, which it hadn't yet paid out.

IFDL said it had tried to cater for Mr and Mrs P's wishes, which had informed all the corrective work it had carried out to ensure they weren't financially disadvantaged along with compensation for the trouble caused. It said it acknowledged it could've been clearer with Mr and Mrs P about the limitations of its platform to manage their expectations. It questioned whether the choice of £170 a month direct debit to cover fees was enough when typically the costs were around £200. And it said the closing pending adviser charge of £611.98 was something Mr and Mrs P would need to take up with their IFA. Finally it said its terms and conditions were clear that it couldn't support partial ISA transfers.

One of our investigators considered the complaint. In summary they concluded that, while IFDL had made mistakes, it had done enough to put things right, so it didn't need to do anything more. They said they'd seen nothing to suggest its calculations for how it had put things right were wrong; its terms set out that it couldn't facilitate partial ISA transfers; and it was ultimately Mr and Mrs P's decision to transfer their investments. They then relayed what IFDL had refunded / paid to Mr and Mrs P and when, as I set out above.

Mr and Mrs P disagreed. In summary they said the £559.59 was not paid to the GIA to cover future fees – it was paid for backdated adviser charges and was then immediately taken out to pay the adviser. Mr and Mrs P included a snapshot of the transaction history of the GIA. They said there was always enough money in the GIA to cover fees – by June 2022, the total fees were around £50-£80 a month. They disputed that a direct debit of £200 a month was needed to cover fees given the percentage they were paying and the total value of their investments. They said they didn't understand how they could still owe their adviser £611.98 when the adviser bill was settled with the £559.59 payment into the GIA and charges have been taken from both the GIA and the ISAs since then. They said that IFDL was not taking any fees from ISA account ending 027. Mr and Mrs P believe IFDL hasn't been honest and hasn't fairly compensated them. They also asked for evidence of IFDL's refunds.

The investigator went back to IFDL and following clarification of a few points, they provided evidence of the refunds made and relayed the following to Mr and Mrs P:

- IFDL agreed to pay the outstanding £611.98 adviser fees.
- From a reconciliation of the £559.69 refund, IFDL noticed that there was a shortfall of £94.32, which it would pay to Mr and Mrs P along with the outstanding £250 compensation payment.

The investigator restated their opinion that IFDL had done enough to put things right.

Mr and Mrs P replied and said that one of their structured products had matured with a maturity value of £10,000, but IFDL had held back some of the value to cover fees. They said they didn't understand – they believed the amount was reduced by a few hundred pounds as the £611.98 was deducted immediately the structured product was sold. So, given IFDL said they covered those fees, they said they are owed an additional £611.98 because they paid this from the maturity value plus the cash already held on the account.

Having liaised with IFDL on this point, the investigator said that the difference in the maturity value Mr and Mrs P received was due to platform charges. And because in their view they had been correctly applied, they wouldn't be asking IFDL to do anything more.

Mr and Mrs P repeated that they feel they are owed money. They said they were seeking the £559.69, which is what was deducted from the maturing structured product.

Because the investigator wasn't persuaded to change their opinion, the complaint was referred for a final 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.

I've taken into account relevant law and regulations, regulator's rules, guidance and standards and codes of practice, and what I consider to have been good industry practice at the time. And where the evidence is incomplete, inconclusive or contradictory, I reach my conclusions on the balance of probabilities – that is, what I think is more likely than not to have happened based on the available evidence and the wider surrounding circumstances.

Having done so, I've decided to not uphold this complaint for broadly the same reasons as the investigator gave – I think IFDL has done enough to put right the things it has done wrong. I'll explain why.

It is not disputed that IFDL has struggled to consistently meet Mr and Mrs P's request for their investment fees to be taken from their GIA by funding this via monthly direct debit, instead of them being taken from their investment funds through an automatic disinvest instruction. IFDL says this is the usual way its system takes fees and it seems its system isn't geared up for a bespoke approach. IFDL has also acknowledged that it could have explained this more clearly to Mr and Mrs P to manage their expectations.

Because IFDL has agreed things went wrong, there is no need for me to dwell on this point. What matters here and what I need to decide in this case is whether IFDL has done enough to put things right. And I've decided it has.

I consider there are three main charge issues here to consider.

Firstly – IFDL refunded adviser fees totalling £559.69. Mr and Mrs P have previously been provided with a summary of these and have seen the period the fees relate to. They were also provided with a detailed spreadsheet in November 2021, which set out the reposting of these fees wrongly taken from their ISAs instead of the GIA, so I don't need to repeat this all here. In addition IFDL paid Mr and Mrs P £330.04 to cover the cost of the ISA sell downs as well as an amount of £500 for the distress and inconvenience caused.

From the evidence presented, I've not seen anything to persuade that these fees weren't

genuine or IFDL's refund calculation was incorrect. It refunded the amount into Mr and Mrs P's ISAs, credited their GIA with £559.69 and then debited the GIA with the same amount to cover the entire charge. And while during the course of the complaint, IFDL identified there was a shortfall of £94.23 to the month-by-month refund postings to Mr and Mrs P's ISAs, it has since paid this amount direct to them. By covering the cost of the unintended ISA sell downs, Mr and Mrs P haven't been financially disadvantaged by IFDL's failure to comply with their fee handling preference. And an amount of £500 to reflect the distress and inconvenience caused is in my view a fair reflection of the frustration and angst this matter has clearly caused Mr and Mrs P. It reflects the period during which the problems persisted, and it is in line with the amount I would award in the circumstances. So, overall I think IFDL has done enough here to put things right.

I can see that Mr and Mrs P considered it was wrong of IFDL to have described this payment to our investigator as a payment for future ISA fees – it was a payment for backdated adviser charges. IFDL described it as a buffer for future fees. I don't think it was entirely wrong of IFDL to have described it this way. Mr and Mrs P are right that the payment related to backdated fees. I think IFDL meant that, by refunding the amount rather than simply reposting the fees to the GIA where they would be payable from here, this acted as a buffer or provided some breathing room for future fees.

Secondly – as part of IFDL's continued fee remedial work, on 25 May 2022, it credited Mr P's ISA (account ending 026) with an amount of £611.98. It then reposted this to Mr and Mrs P's GIA where it became payable from here. Mr and Mrs P said they couldn't understand how this amount was still due given the previous refund and what they had continued to pay into their GIA. IFDL has since agreed to cover this amount in full, which I can see it has done. So, I consider any concerns or complaint about this amount falls away. I can see as part of resolving this, IFDL duplicated the refund leading to Mr and Mrs P's IFA receiving a duplicate amount which needed to be clawed back. This appears to be what prompted the complaint in August 2022. But this was quickly resolved. IFDL also paid an amount of £250 to Mr and Mrs P for any inconvenience caused. I don't consider it needs to do anything more here.

Thirdly – Mr P held a structured product within an ISA that matured in July 2023 during the course of this complaint. Mr and Mrs P don't understand why they only received around £9,700 of the maturity value – IFDL says the deduction was for platform fees – given all of the fee refunds IFDL made. The ISA in question here is account ending 027. In Mr and Mrs P's complaint to us, they said that IFDL was not taking any fees from this account. And they are correct. The deduction from the maturity amount relates to fees IFDL should have presumably taken at the time but didn't, covering the period end of May 2022 to end of July 2023. Because these fees are due, there is no error with the maturity value Mr and Mrs P received. So, I won't be instructing IFDL to refund any further amount for fees charged.

I can understand Mr and Mrs P's concern that they've not been fairly compensated and they can't see where their money has gone from their GIA given they've continued to fund it via monthly direct debit. I think given the amount of remedial work carried out it's difficult to follow and track all of the charges across the different accounts over time.

But I've not seen enough to persuade me that Mr and Mrs P are owed anything more due to duplicated or errors in charging for example or that because the money in their GIA can't be accounted for. Mr and Mrs P provided some transaction history from their GIA covering the period January 2022 to May 2022 and said there was always enough in the account to cover the fees. I can see here the monthly direct debit of £170 crediting the account along with the debits for the platform and adviser fees. But I can also see that between February 2022 and April 2022, withdrawals from the account totalling just under £500 were made, which don't

relate to fees. I can also see the direct debit reduced to £80 a month in March 2022. I also understand it reduced further to around £35 later on. So, while I've not seen the entire GIA transaction history, based on what I have seen I'm not persuaded the money can't be accounted for, so I don't consider Mr and Mrs P are owed anything more.

Finally, I can see Mr and Mrs P are unhappy that IFDL didn't allow them to partially transfer their ISAs out to a different provider, which resulted in them losing money and lost ISA allowances. But IFDL's terms and conditions say that it wouldn't support partial ISA transfers. And as the investigator said, it was ultimately Mr and Mrs P's decision to move their investments. So, there is no failing on the part of IFDL here.

I understand this isn't the answer Mr and Mrs P were hoping for, but for the reasons above, I don't uphold this complaint.

### **My final decision**

My final decision is that Investment Funds Direct Limited has already done enough to put things right, so I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 3 July 2024.

Paul Featherstone

**Ombudsman**