

## The complaint

Mr H complains that Interactive Investor Services Limited (trading as '*Interactive Investor*' and referred to in its terms of service as '*IISL*') has unreasonably restricted access to his investment account, meaning he cannot undertake transactions or withdraw his funds.

## What happened

Mr H holds an account with IISL, which operates an execution only trading platform.

On 24 October 2023, Mr H sent IISL a secure message, explaining that he had tried to move £1,000 to his bank account the day before from his investment account – but was shown a technical error which meant he could not proceed.

On 26 October 2023, IISL replied to Mr H explaining that his account had a block previously applied and it needed him to supply some identification, a proof of address and some further verification questions regarding his finances.

Mr H responded the same day noting he had provided all of the same information many years previously and nothing had changed. He therefore did not believe it was necessary to supply it again.

On 30 October 2023, IISL told Mr H by further secure message that its position remained unchanged – it needed the evidence set out for regulatory reasons and could not otherwise unblock his account.

On 1 November 2023, Mr H brought the matter to this service. He noted eight weeks had not passed since he had complained to IISL, but he did not know if it had properly registered a complaint or not. Mr H said IISL had similarly blocked access in the past and he had complained at the time – and he thought he had lodged a complaint at this service. In that complaint, he said IISL had been told to reopen access without further evidence.

Mr H also said:

- he had never been contacted by IISL asking for the evidence, he just realised in October 2023 that he could not place trades or withdraw funds;
- nothing has changed in his status – so there is nothing to report;
- it isn't reasonable to have an eight week limit to reply to a complaint when he cannot access his account.

IISL then issued a final response to the complaint on 13 November 2023. It rejected the complaint. It said Mr H had been notified on the secure messaging system in September 2021 that additional verification evidence was needed from him, following application of the Money Laundering Regulations 2017. This applied whether his circumstances had changed or not, and was something IISL could request in accordance with his account terms. As IISL hadn't heard anything further, the restriction was placed on Mr H's account.

One of our investigators then reviewed the complaint. He said he did not think it should

succeed. He concluded that IISL had acted within Mr H's investment account terms of service. It had explained in 2021 that Mr H resided in a high risk country – it therefore needed to know more about his residential and financial status. Our investigator noted IISL said it required the information to comply with money laundering regulations; he felt it had been reasonable in asking for that information, notably where businesses had financial penalties for non-compliance with that type of legislation. Overall, he was satisfied that IISL's handling of the matter had been fair and reasonable in the circumstances.

Though Mr H thanked our investigator for his view, he said he could not agree with the suggested outcome. He asked for the complaint to be passed to an ombudsman and noted that he had five further points that he wanted to be considered:

1. he moved overseas almost two decades ago and since that time there had been no change in his address, contact details, account details or otherwise;
2. he hasn't added funds to the account for many years so he questions how there can be a money laundering concern;
3. he has supplied all of the relevant information previously – so IISL ought to have everything it needs;
4. IISL took on his account knowing he did not reside in the UK – so any issue with that is a matter for IISL, not him;
5. the business that IISL took over from also had all the relevant details so it is IISL's responsibility to obtain those rather than bully him, as a customer.

Our investigator wasn't persuaded to change his view. He explained that requirements on businesses may change over time, and that Mr H had given his particular details before did not necessarily mean that he wouldn't be required to provide them again. He understood why Mr H felt incensed about the matter, but he didn't think IISL was doing anything wrong.

Mr H said he still wanted an ombudsman's review. He felt the information that IISL held about him should be sufficient to remove the block on his trading account.

### **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 can see from the submissions Mr H has made that he feels very strongly about this matter. I do not intend to make matters worse for Mr him, but I am not going to uphold this complaint or make any award against IISL. I cannot uphold a complaint merely because of empathy for a complainant's position; and for the reasons I'll go on to explain, I do not find IISL's actions to be unfair or unreasonable.

We are not a court; and though there are rules I may rely on in respect of complaint handling procedures, I am not required to comment on each point or make specific determinations on every submission put forward by the parties.

The Financial Ombudsman Service provides informal dispute resolution. My remit is to make findings on what I believe to be fair and reasonable to both parties in the circumstances and this does not follow a prescribed format. Instead, I will set out my reasons for my findings on what I consider to be the central issues in this complaint, based on the evidence before me.

I realise Mr H says he may have brought a complaint to this service that we considered previously. But, I have seen no evidence of that. A previous complaint was brought to us dated from July 2016. We have limited information about that because of data protection and the passage of time. However, it appears that complaint did not proceed beyond initial

contact to our service, and no determination was made as Mr H has suggested.

The crux of Mr H's complaint is based on his objection to verification. I can see he feels that it is an unnecessary step taken by IISL as it already holds evidence of his identity and financial background.

It's important for me to point out that we do not act in the capacity of a regulator. That means our decisions don't ordinarily interfere in how a business may conduct its operations or exercise what may be commercial judgment on the provision of a particular service. That remit falls to the Financial Conduct Authority ('FCA').

Whilst Mr H is entitled to form his own view on the reasonableness of IISL's administration of his trading account, (including its verification processes), I must also do the same. And from an objective standpoint, I do not consider that this process has been unfairly handled.

It is a decision for IISL as to how it undertakes compliance with relevant legislation, such as money laundering regulations. And I can see that on 13 September 2021, IISL sent Mr H a secure message giving Mr H a full explanation as to the information it required. It said:

*"We are contacting you in relation to additional information required.*

*We have identified that you currently reside (or have links to) a country outside the UK.*

*[Mr H's country of residence] is a jurisdiction which the firm categorises as High Risk and applies heightened due diligence around.*

*As a UK investment platform, servicing primarily residents of the UK, we don't typically maintain accounts for non-UK residents, although appreciate that some moves overseas are temporary.*

*Can you confirm whether you intend to return to the UK and, if not, please provide a rationale for maintaining an investment account in the UK?*

*In order to comply with the requirements of the Money Laundering Regulations 2017, we need some additional information from you.*

*This request is not intended to put you off using our services and please be assured that we are not suggesting any involvement in criminal activity on your part, however, we must collect this additional information in order to meet our regulatory obligations.*

*We are requesting details of your overall source of wealth and details of how you have funded (or intend to fund) your investments."*

IISL set out in clear terms how specific Money Laundering Regulations required it to obtain identity verification, source of wealth evidence and a completed due diligence questionnaire from Mr H in his circumstances, given he lived in a particular country that it deemed high risk. As it did not receive a response within the required 30 days, it placed a restriction on Mr H's account – which he then discovered two years later.

I have seen a copy of the message issued to Mr H in 2021 and I am satisfied that it was issued to him at the time – though I appreciate Mr H did not become aware of it until 2023.

Nonetheless, that Mr H feels unhappy with providing the evidence IISL requires now does not mean the process ought to be disappplied; IISL is reasonably entitled to undertake

appropriate identity verification steps, and I have seen no evidence that it applied these inconsistently.

Furthermore, IISL has acted in accordance with the terms of service that apply to Mr H's investor account. The terms say:

*"6.9.1 We may refuse to execute an Instruction for a valid reason (such as insufficient cleared funds). We will notify you of our refusal providing you with the following information: a if possible, the reasons for the refusal; and b the procedure for rectifying any factual errors that led to the refusal.*

*6.9.2 Please be aware we are not obliged to notify you of any refusal where such notification would be deemed unlawful. In the event that an Instruction is refused, information may be available and you can contact us in accordance with clause 23.5.*

*28.6 We reserve the right, at all times acting reasonably, to refuse a deposit, to refuse to open an Account or to close an Account without giving reasons for any such decision. **We reserve the right to require references from you** [my emphasis]. In any event, in order to protect you and the banking system, we may suspend or withdraw the provision of all or part of the Services to you, if: i an Account is being operated in breach of these Terms; ii if we reasonably believe an Account may be used negligently, illegally or fraudulently; iii if we believe the security of our systems used to provide the Services has been compromised; or iv if you are no longer our customer."*

IISL gave Mr H clear information and reasons as to why it needed him to supply evidence of his identity and the consequences of not doing so; I therefore cannot agree that placing a restriction on the account was an unfair step to take. The terms allow IISL to do so with valid reason, and compliance with regulations is something I consider a reasonable action.

If Mr H still does not agree with IISL's processes, he is free to withdraw the funds. But again, that would require evidence of identity - this is necessary for IISL to ensure it is paying the investment account proceeds to the correct customer and reasonable in the circumstances.

What Mr H decides to do with his account going forwards is a matter for him. Nonetheless, in the context of the complaint before me, I cannot agree that IISL has done anything wrong in how it has made its requests of Mr H in order to satisfy its customer identification or other regulatory requirements. I cannot therefore uphold Mr H's complaint.

### **My final decision**

I know my final decision will be disappointing for Mr H. But for the reasons set out above, I am unable to uphold his complaint or make any direction to Interactive Investor Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 April 2024.

Jo Storey  
**Ombudsman**