

## **The complaint**

Ms S complains that Digital Moneybox Limited trading as Moneybox ('Moneybox') reinvested the extra funds from her stocks and shares Lifetime Individual Savings Account ('LISA') her solicitor incorrectly requested should be withdrawn towards her house purchase, without authority. She says her funds are now tied up and the opportunity to make the best financial decision for her has been lost. She says Moneybox told her solicitor that she had suffered no loss from the erroneous full withdrawal or sale of her funds, which meant she could not pursue any complaint against her solicitor. Ms S is seeking compensation for the distress caused and an understanding of her losses.

## **What happened**

The events leading up to this complaint are well known to both parties, so the following is a summary of what happened here.

On 15 March 2023, Ms S' solicitor gave an instruction to Moneybox for a full withdrawal of the funds held in her LISA for a house purchase. Moneybox then let Ms S know it had received the instruction and it said things should complete on 27 March 2023.

On 25 March 2023, Ms S contacted Moneybox to clarify the amount of the withdrawal because she noticed that she no longer held any units in her portfolio. Moneybox confirmed that her solicitor had instructed a full withdrawal. Ms S said this was an error – she only wanted to withdraw her 10% deposit and she was expecting the remainder to stay invested. She indicated that the withdrawal should be stopped because she didn't think she would be able to re-invest the funds.

On 27 March 2023, Moneybox said it would try to stop the withdrawal in time. But it said if it couldn't, her solicitor could return the excess funds which would be re-invested without any penalty. It reassured Ms S that her LISA would remain open for her to continue to use for her retirement.

Later the same day, Moneybox confirmed to Ms S that it had stopped the withdrawal, it had manually paid out the required 10% deposit amount to her solicitor and it had initiated the reinvestment of the remaining funds back into her LISA. Ms S asked if the re-investment would be into the funds she held previously rather than her current investment allocation, and said she was hoping to have some questions answered before it took any action.

On 28 March 2023, Moneybox confirmed the re-investment had been made according to the existing investment allocation.

Ms S initiated her complaint the same day. She said she should have been given this information before anything happened, so she could make an informed decision.

On 22 May 2023, following an initial response, Moneybox issued its final response to the complaint. In summary it said that Ms S' solicitor had given it the instruction for a full withdrawal of her LISA instead of a partial one. It said when it reinvested the funds into Ms S' LISA it did so based on her existing investment allocation rather than the one prior to the

withdrawal. It said one of Ms S' funds held prior to the withdrawal no longer formed part of its offering, so it wasn't able to put her exactly back in the position she was prior to the withdrawal. It acknowledged that it didn't make this clear and it offered £50 for the inconvenience caused. It also offered to make good any loss if Ms S chose to sell down her investments and reinvest into an allocation of her choosing, so long as any instruction was given within a reasonable timeframe.

Dissatisfied with its response, Ms S brought her complaint to us. She said because she had house purchase related expenses she might have chosen to proceed with the withdrawal. She said Moneybox rejected her concerns that they had crystallised losses on investments she had recently made due to a fall in the market. She said she was repeatedly told she hadn't lost out, which it told her solicitor. She said this meant she couldn't pursue a complaint with them. She said at no point did Moneybox offer to reverse what they had done and instead allow the full withdrawal to proceed.

One of our Investigators considered all of this. And they concluded Moneybox's offer of £50 to settle the matter was fair. They said they understood that Ms S was left frustrated when Moneybox reinvested her funds without her explicit consent. They acknowledged Ms S felt this left her with fewer options as to what to do with her funds, and it may have meant there was financial loss. But they thought Moneybox's actions were an attempt to mitigate any loss. They said Moneybox only withdrew the full LISA amount because of the solicitor's incorrect instruction. And they said Moneybox needed to act fast to correct things. They said it wasn't disputed that Ms S hadn't given her explicit consent for the way the funds were reinvested, but Moneybox had offered to compensate for any loss incurred if she chose to withdraw her funds. And because she didn't have any plans of the remainder of the funds, they thought the offer of £50 compensation was fair. They also said Ms S hadn't suffered a loss as a result of the reinvestment.

Ms S disagreed. In summary she said she doesn't agree that she suffered no loss as a result of the selling and reinvestment of her funds. And she repeated the point that she wasn't able to pursue a complaint against her solicitor for the losses incurred. Ms S said the fact Moneybox acted quickly wasn't relevant – it acted without her authority. She said the ability to plan how best to manage her money was removed. She said it was unfair to say she didn't have plans for the money – she withdrew an amount from another account to cover her moving expenses as that was the only way to access funds without a 25% penalty. She said she wasn't looking for the resolution Moneybox offered. She said Moneybox should have called to discuss things before acting. She said Moneybox have tied her money up for the long-term in different funds from the ones intended, and she's not in the position she would have been had Moneybox not made the mistake.

Because the Investigator wasn't persuaded to change their opinion, the complaint was referred to me 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 Moneybox should pay Ms S £50 to resolve this complaint for broadly the same reasons as the Investigator. I'll explain why.

I think it's important to be clear here that it was an error by Ms S' solicitor that led to Moneybox processing a full withdrawal of funds from her LISA. No error was made by Moneybox in carrying out this request – it was simply following the instructions it was given.

I also think it is important to highlight that, when Ms S told Moneybox that an error had been made, it acted swiftly. Not only in paying the correct amount to Ms S' solicitor as Ms S intended, but also by re-investing the funds that should not have been withdrawn in the first place. The evidence suggests to me that Moneybox could not have acted any sooner given the timeline. It took the remedial action on 27 March 2023, which was the first working day following notification at the weekend that an error had been made, and the reinvestment happened on 28 March 2023. I'll come to the complaint point about of Ms S' lack of authority for the reinvestment and what Ms S says she's lost out on / the resulting implications, later on.

But firstly, I'd like to address Ms S' point and concern that she suffered an investment loss as a result of what happened. Unfortunately, when Moneybox reinvested Ms S' funds, it wasn't able to re-invest them exactly as they were prior to the erroneous instruction from her solicitor to sell all her holdings. This was because one of the funds she held was no longer part of Moneybox's investment offering. So, Moneybox re-invested Ms S' funds in line with her current investment allocation. So, Ms S' overall investment holding was not in the same position it was prior to the withdrawal.

Moneybox has previously said Ms S did not suffer a loss as a result of what happened. Ms S says that Moneybox told her solicitor that no loss resulted, which prevented her from pursuing a complaint with them. I've not seen any evidence to show or suggest that Moneybox did discuss this with Ms S' solicitor. The evidence of the phone calls and notes made from the conversations it had, do not make any reference to this. But in any event, based on the information Moneybox has provided, I don't think Ms S has lost out as it has already said. And I think she should take comfort from this.

I asked Moneybox for some further information to help with this point. And Moneybox says it has modelled the scenario where, if things had happened as they should have – i.e. Ms S' solicitor had requested a partial withdrawal from her LISA as intended and the remaining units stayed in her portfolio or account as they were – on 28 March 2023 when Moneybox bought back the funds, it says the value of Ms S' LISA would have been £12,316.10 after the deposit withdrawal. But it says the actual reapplied amount following the deposit withdrawal was £12,444.90 as of 28 March 2023. So, based on what Moneybox has modelled, and given I have not been given any reason to question it, Ms S actually gained by a small amount – £128.80 – as a result. So, as Moneybox has previously said, Ms S did not lose out financially following the reinvestment.

Turning back to the re-investment of Ms S' funds and her complaint that it didn't act on her authority.

As I said above, I think Moneybox had to act quickly to try and rectify the mistake her solicitor made, which it did. In the circumstances, I don't think the re-investment action it took

was wholly unreasonable. This is because Ms S had made it clear in her message to Moneybox of 25 March 2023 that the full withdrawal was an error and that she wanted the remaining funds to stay in her account. She also previously said she wanted to continue with the LISA for her retirement. And this is evidence from the time.

But Moneybox has accepted that it could and should have been clearer about how the reinvestment would happen. And I agree. It seems that Ms S wanted the opportunity to discuss things beforehand, which isn't unreasonable and this didn't take place. I think this caused a degree of distress and inconvenience to Ms S. But I'm not persuaded it caused her significant distress or that its action had the impact or consequences Ms S describes. I'll explain why.

Ms S says that she wanted the opportunity to make the best financial decision, which wasn't afforded to her. She says that Moneybox didn't offer to reverse what they had done and instead allow the full withdrawal to take place. But I don't think it was reasonable for Moneybox to have offered the full withdrawal. As I've already said, the evidence is in my view clear that the full withdrawal request was an error. Ms S told Moneybox as such. She also said that she intended only for her deposit amount to be withdrawn towards her house purchase and that she expected the remaining funds to stay in her account as she wanted to use it to save towards her retirement. So, while Moneybox didn't explain how the reinvestment would take place, it seems to me that this is what Ms S ultimately wanted. And if things had happened as they should have and Ms S' solicitor had given Moneybox the correct instruction, Ms S' LISA monies would have remained invested.

Ms S has described having to take money from a different account for her house purchase related expenses, which was the only way to access funds without incurring a 25% penalty. And I think this is the crucial point – a full withdrawal would most likely have meant Ms S would have incurred the 25% Government charge. Ms S did not intend using the funds in their entirety for the house purchase. So, using them for other means, which includes associated house buying costs, would likely have meant the 25% Government charge or penalty would apply. Moneybox can't change that. Withdrawing in full this way could also mean that Ms S' received less than she put in. So, I think it was always Ms S' intention to use other monies for her removal costs and to retain her LISA balance as she said for her retirement.

I'm not persuaded that if Ms S had been given the opportunity to discuss things before the funds were reinvested that she would more likely than not have given the instruction to withdraw her LISA balance in full. And in my view there was no reason for Moneybox to have offered to do so. Ms S can of course decide to withdraw her money at any point she decides subject to the account terms and conditions and subject to the 25% Government charge for non-life event withdrawals. So, if on reflection Ms S doesn't want to keep her LISA funds invested, she can instruct Moneybox to carry out a full withdrawal.

I accept it is unfortunate that Ms S' funds could not be reinvested precisely as they were prior to the withdrawal due to it not offering one of her originally chosen funds. But again, the full withdrawal was not Moneybox's error. And there is only so much it can reasonably do in the circumstances. Ms S has not suffered a financial loss as I've already said. I can also see that in its final response to Ms S' complaint, Moneybox offered her the opportunity to choose different investment funds for the re-investment of her money because she expressed dissatisfaction with how it had reinvested them.

And it offered to cover any investment losses as a result of moving things around, so long as any instruction was given by Ms S within a reasonable period of time. But Ms S didn't take up Moneybox's offer. So, it seems reasonable to assume that, on reflection Ms S was in fact happy or content with the re-investment. If she wasn't, I would have expected her to have

acted upon Moneybox's offer and given different instructions. Or at least to have discussed things further.

So, in summary, Ms S has not suffered a financial loss as a result of the reinvestment of her funds. And while I accept Ms S was inconvenienced by Moneybox's mistake in not making it clear about how the re-investment of her funds would take place, taking all of the above into account, I think Moneybox's offer of £50 in recognition of the inconvenience caused is fair in all the circumstances.

### **Putting things right**

Moneybox should pay Ms S £50 for the distress and inconvenience caused by not informing her clearly about how the re-investment of her funds would take place.

### **My final decision**

My decision is that Digital Moneybox Limited trading as Moneybox should pay Ms S £50 for the distress and inconvenience this matter has caused, as it has offered to do. I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 3 May 2024.

Paul Featherstone

**Ombudsman**