

The complaint

Mr H complains that Interactive Investor Services Limited (trading as '*Interactive Investor*' and referred to in its terms of service as '*IISL*') failed to process a cash transfer to his ISA account in time to undertake a rights issue of foreign securities. To resolve his complaint, he wants to be compensated for the value he would have received had he been able to complete his election, make his purchase and thereafter sell the stock.

What happened

Mr H holds both a trading account and a stocks and shares ISA with IISL.

On 30 March 2023, IISL uploaded corporate action notifications to all of its customers that held stock for a specific business. The notification explained to shareholders that a rights issue was taking place and it gave two options that needed to be elected by 12 April 2023. It said:

"OPTION 1: Take no action (Default). Your rights will expire worthless if you do not sell or exercise them by our deadline date. The company will not issue a payment for any rights that are not exercised. Holders who do not wish to exercise their rights may sell them on the market (see section 'Selling or buying rights' below).

OPTION 2: Exercise your rights. Each right entitles the holder to subscribe for 1 new Depository Interest ('DI') in [company] at a price of EUR5.55 per DI. Specify the number of rights to be exercised, this can be in full or in part.

The currency of this event is euros. Most Trading Accounts and all SIPP accounts have multi-currency enabled; such holders should ensure they have sufficient euros available to cover the cost of their election. We will not automatically convert alternative currencies to euros to cover the cost of an election. ISAs and other single currency accounts will need to have the equivalent sterling amount in their account to cover the cost of the election made.

Selling or buying rights:

You may also sell some or all your rights by 4,30pm on our deadline date, 12th April 2023. If you wish to sell or buy additional [company] rights, you may do so online or by phone. Your current dealing rate will apply to any trades placed. If you purchase additional rights, you need to input an election to exercise these yourself, otherwise the rights will not be exercised and will expire worthless."

On 12 April 2023, Mr H made three faster payments into his ISA using online banking, totalling £12,500. He says he checked with his bank, and it confirmed that IISL would have received the payments within two hours.

Mr H also called IISL that day to discuss his election and the fastest way he could credit his ISA. IISL told him this would be via bank transfer. However, it advised it could not guarantee that his ISA would be credited in time for him to be able to avoid some of his rights from expiring the next day.

Mr H didn't hold enough cleared funds in his ISA on the deadline date to meet his request to exercise his 2,490 rights. So, this was tailored to what his funds would allow – which was 33 rights. The remaining 2,457 rights expired in accordance with option 1.

On 18 April 2023, Mr H complained to IISL. He requested to exercise 2,490 company share rights in his ISA but the instruction wasn't followed when it should have been.

On 25 April 2023, IISL issued a final response letter to Mr H for his complaint. It said that whilst it appreciated Mr H's intention was to exercise his share rights in full, it could not put his ISA into a negative balance by doing so – as HMRC rules would not permit that.

Whilst IISL sympathised with Mr H's missed opportunity, the corporate action notification had explained that on the date of the election to exercise his rights, Mr H needed to have sufficient funds in his ISA – and these had not cleared until 13 April 2023. IISL was not at fault for that, and it did not agree that it should be liable for Mr H's stated losses now.

Mr H therefore brought his complaint to this service. He said IISL's actions had a financial implication, that being the missed opportunity to purchase discounted depository interests and the option to sell the rights on the open market at the theoretical ex-rights price. Having undertaken the calculation, Mr H said he believed that amounted to a loss of £7,961 which IISL ought to pay him now, with interest.

An investigator from this service reviewed the complaint and did not believe it should succeed. She said that IISL made clear to Mr H that the funds needed to have cleared in time for the deadline date, and this would be two to three days from the date the payment was initiated with Mr H's bank. She therefore did not believe IISL had done anything wrong by applying the funds one day later on 13 April 2023.

Mr H said he accepted that the rights procedure was followed correctly and corporate action communication was fairly supplied to him by IISL. However, he reiterated that IISL's website guidance said *“payments will be added to your cash balance on the same day we receive the funds”*. His bank told him the faster payment would be received within two hours when the payment was made on 12 April 2023. So, he was reassured that he'd met the deadline.

Our investigator wasn't persuaded to change her view on the complaint. She remained of the view that IISL's guidance on timescales for funds being transferred into an ISA were clear. Since Mr H had not made the transfer with sufficient time ahead of the deadline, IISL had not been able to fund his ISA on time to carry out his election option.

Mr H asked for the complaint to be passed to an ombudsman. He felt that the wording our investigator (and IISL) had relied on – which included the word 'usually' was vague, and he had made the payment on time. He also said:

- he understood and accepted that cleared funds in the ISA were required to undertake the share purchase;
- however, in his view, he was entitled to exercise his rights issue on the final day of the stated deadline;
- two to three days is general guidance – hence IISL's use of the word 'usually';
- contrastingly, the first sentence is affirmative and says that payments would be made to his cash balance the same day that IISL receives the funds – so this should have happened on 12 April 2023;
- he also made a payment into his IISL trading account on 12 April, and that arrived the same day;

- so, his complaint is strictly about the guidance IISL provides – as he feels it is misleading and cost him the opportunity to complete his elected stock purchase.

Mr H remained of the view that he wanted the complaint to be referred to an ombudsman. IISL had nothing further to add.

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 reviewed the evidence from both parties carefully, I do not believe that this complaint should succeed. I realise this won't be what Mr H has hoped for. However, I agree with the outcome reached by our investigator, for principally the same reasons.

As Mr H has explained, his complaint relates to the one discrete point of guidance issued by IISL in relation to funding his ISA in order to benefit from electing to exercise his rights with the depository interest purchase. Neither party disputes that Mr H chose option 2 from the corporate action notification sent to him by IISL. That option had a deadline date of 12 April 2023.

Mr H says he interprets the following website guidance issued by IISL as meaning that payment to his ISA on 12 April 2023 ought to have cleared the same day.

“Adding cash by bank transfer

Important notes

- ***Payments will be added to your cash balance on the same day that we receive the funds [Mr H's emphasis]. For ISA and Trading Accounts this is usually within 2 to 3 days after you initiate the payment from your bank.***

However, I don't agree with this interpretation. I do not find the statement ambiguous because of the use of the word 'usually'. Mr H's view only gives weight to one part of the guidance – and I consider it ought to be read in full. The latter part of the extract makes clear that the funds will *typically* be received within two to three days – and objectively, I believe this is what is intended by the statement. It is of course possible that this *could* be sooner – but IISL cannot guarantee that. As it was, the funds were not received until 13 April 2023 and IISL has provided evidence of receipt, showing when the funds were processed.

I am also mindful that as well as the wider website guidance, the corporate action notice issued to Mr H on 30 March 2023 gave relevant information as to cleared payments. It said:

“Special Notes

Payments: You must ensure you have sufficient cleared funds in your account by our deadline date [my emphasis]. Failure to do so may result in any subscriptions being scaled back, or in some cases cancelled completely. If your account is enabled for the base currency of an event, it is your responsibility to ensure funds are transferred to this currency by the deadline date...

This extract explains that there is a requirement for funds to clear – and taken with the bank transfer guidance it is evident that it puts shareholders on notice of the time needed (two to three days) for a sufficient equivalent sterling amount to clear within their account, in time to cover the cost of the election – if the shareholder wants to exercise their rights.

Though Mr H says he was entitled to select his election rights on the final day of the deadline (which he was), leaving it until 12 April 2023 entailed the likely prospect that the funds may not have cleared within the ISA on time – and this is what IISL explained via telephone. Sadly, that is what happened. As the funds cleared the following day, Mr H didn't hold enough capital in his ISA as of 12 April 2023 to meet his request to exercise his 2,490 rights in full, meaning the remaining 2,457 expired as set out in the corporate action notification.

I do not find IISL to be at fault for the funds clearing on 13 April 2023 – these were within its stated timescale. It gave clear and unambiguous information to affected shareholders, including Mr H, about how to make an election and the timescales for making cash transfers into ISAs and trading accounts. I therefore cannot uphold Mr H's complaint for any loss that he says resulted from the missed election opportunity, as IISL did not cause the stated loss.

My final decision

I do not uphold this complaint.

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