

The complaint

Mr W complains that Barclays Bank Plc increasingly delayed dividend payments being paid into his Smart Investor account. He also complains that Barclays does not pay interest on uninvested cash in its investment Individual Savings Account (ISA) and it refused to waive the last two months' account fees during the period it was investigating his complaint and following his decision to transfer his account to another provider.

What happened

Briefly:

In April 2023, Barclays didn't uphold Mr W's complaint. In relation to not paying credit interest for uninvested cash in investment ISAs, it said these accounts were not intended to hold cash other than for very short periods of time before reinvestment. It said Mr W could contact the banking side of Barclays who could consider whether a cash ISA was appropriate if he wanted to hold cash for a longer term. It said while it offered interest on its non-ISA general investment accounts by sweeping cash into a saver account, it couldn't do this for ISA's due to HMRC regulations.

Barclays disagreed that there were delays in paying Mr W his share dividends. It said because it handled the dividends, this was regarded as client money which the industry regulator, the Financial Conduct Authority (FCA) has rules for. It said adherence to these rules means it can't use its own money to pay clients' dividends. It said it has to fully receive and reconcile all dividends before paying them out. And while it said this obligation means it can lead to longer pay out times, the rules say it must pay client funds away no longer than 10 business days. In Mr W's case, it said it met this timeframe for all his dividend payments.

Dissatisfied with its response, Mr W brought his complaint to us. He said despite Barclays' competitors reintroducing interest being paid on cash held in stocks and shares ISAs, Barclays hasn't. He said he disagreed the FCA rules was a satisfactory reason for the delay in it making dividend payments – he said since moving to another provider, they have paid all of his dividends to him on their due dates. He provided an example of Barclays' delay – he said he received a dividend on the due date for a paper shareholding, but the same holding in his Smart Investor account with Barclays was not paid until five days later. He said he resolved most of his issues with Barclays by transferring his account, but he was disappointed he didn't receive a refund of some of his account fees, so he asked for our help.

Barclays said its final response set out the position. It said there was no delay in it making dividend payments. It said it accepts if shares are held on certificate or with brokers who are not subject to Client Money rules, Mr W will likely be paid faster. But it said this doesn't mean it is delaying payment – only taking the appropriate time to reconcile the one large payment it receives for all affected clients, into their individual accounts. It said the account fees charged were appropriate and it would not be refunding them. It said a final fee was created on 17 May 2023 when it received Mr W's transfer instruction, and once it was confirmed as

genuine, it stopped all further fees from being charged on 19 May 2023.

One of our Investigators considered Mr W's complaint and they didn't uphold it. They said in relation to Mr W's main complaint point about the delay in receiving dividend payments, the relevant rule to consider is set out in the FCA's handbook at CASS 7.13.36 (1), which says:

'A firm must allocate any client money it receives to an individual client promptly and, in any case, no later than ten business days following the receipt (or where subsequent to the receipt of money it has identified that the money, or part of it, is client money under CASS 7.13.37 R, no later than ten business days following that identification).'

They said, because Mr W's dividend payments were made within the permitted regulatory timeframe allowed, they could not be considered delayed. They said they could not comment on other providers' processing times.

They said they didn't think Barclays had done anything wrong by not paying interest on uninvested cash in Mr W's investment ISA because the terms and conditions set out that it didn't have to. And they noted that Barclays had provided Mr W with the option of exploring the possibility of a cash ISA in its final response letter. Finally, in relation to Mr W's account fees, they said these had been applied correctly in line with the terms and conditions. They said Barclays received Mr W's transfer request on 17 May 2023 and fees ceased on 19 May 2023 following its processing of the request, which they thought was reasonable.

Mr W disagreed. In summary he said he hoped the example he provided of his experience of being paid his dividend on the due date for a certificated holding versus Barclays not paying it for the same company shareholding until several days later, demonstrated Barclays had unnecessarily delayed his dividend payment. He said the CASS rule referred to said a payment should be made 'promptly' – the definition of which is with little or no delay, immediately. He said 10 working days is not promptly by modern standards. Mr W provided a spreadsheet of his dividend payments, which he said showed a marked deterioration in payment times from Autumn 2022. He said the majority of payments have not been paid promptly since then. Mr W asked for a refund of his fees since Autumn 2022, compensation for loss of interest on the delayed payments and payment for his time and effort in bringing the complaint. Mr W also asked a question about why Barclays was delaying Real Estate Investment Trust (REIT) tax refund elements of dividends.

The Investigator wasn't persuaded to change their opinion. They referred back to the CASS rule. They said Mr W's spreadsheet he'd provided with the due date and payment dates of his dividend payments reflected calendar days. They said Barclays had paid all of his dividends within 10 business days, so it hadn't done anything wrong. They said in relation to Mr W's point about REIT tax refunds, because this wasn't referred to in Barclays' final response, he'd have to complain about this separately.

Mr W broadly repeated the points he'd previously made and asked for an Ombudsman to review things. He also clarified that he'd complained to Barclays about the REIT issue in 2019, but no improvements ever happened.

He asked us to approach Barclays to ask it why it hasn't made any changes after he complained.

The complaint was therefore passed 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 to not uphold this complaint for broadly the same reasons given by the Investigator. My reasons are set out below.

Firstly, in relation to the point Mr W has made about dividend REIT payments, I've not addressed this here. This is because Mr W did not raise this point with Barclays when he made his complaint and so it has not had the opportunity to respond. It was also not something Mr W included when he completed our complaint form. If Mr W wants to raise this with issue with Barclays, then he can do so as a separate matter.

Delay in paying dividend payments

Mr W says that since Autumn 2022 Barclays has increasingly delayed making dividend payments into his account. He says since this time, Barclays has not paid them promptly and he has provided a spreadsheet in support of his view.

As the Investigator set out, a relevant consideration in this case is the CASS rules as set out in the FCA's handbook. In particular, CASS 7.13.36 (1) which deals with the payment of Client Money. It is relevant here because the shares Mr W held with Barclays in his Smart Investor account were done so on a nominee basis. That is, Barclays held the shares on behalf of Mr W. So, the dividends it received and then passed on to Mr W are regarded as Client Money.

CASS 7.13.36 (1) says: 'A firm must allocate any client money it receives to an individual client promptly and, in any case, no later than ten business days following the receipt...'

Mr W says the definition of promptly is 'with little or no delay, immediately.' And I think Mr W believes 'promptly' in this case means Barclays ought to have paid him his dividend payments on their respective due dates and no later. But I don't think that is fair and reasonable. I think it is fair and reasonable to consider 'promptly' in the context of the particular circumstances. In this case, the circumstances involve Barclays carrying out work to reconcile the one larger dividend payment it receives in each case for all affected clients, into each individual account. In my view, this could inevitably take some time depending on the nature and size of the holding and the number of clients affected. So, in this case I think 'promptly' means without any undue or unnecessary delay while taking account of what Barclays needs to do.

Looking at the dividend spreadsheet Mr W has provided, which shows both the dividend due and dividend payment dates, I can firstly see that any difference between the two dates – or delay as Mr W has referred to it as – he has counted as calendar days. And in many of the entries Mr W has highlighted, the calendar days include a weekend or bank holiday period. In one example the number of calendar days includes the Easter four day weekend. As these are non-business days, I don't think it is fair to include these to argue that Barclays

didn't make the dividend payments promptly. In many examples, the payment date is the next working day following the due date, which I consider to be prompt in the circumstances.

Other than the entry Mr W has explained the reason for the difference, the longest number of calendar days between the due date and payment date was nine – the second longest eight days. Accounting for non-business days, this equates to seven and six business days respectively. While I accept these two payments took longer than most, I haven't seen evidence to suggest that Barclays caused an unnecessary delay. And helpfully the CASS rule also says that client money should be paid: '...in any case, no later than ten business days following the receipt.' So, given both these payments were made within this timeframe, as in all of the payments, I don't think Barclays acted unfairly or unreasonably here.

I can see that Mr W says the most egregious example of Barclays causing an unnecessary delay is where his certificated shareholding dividend was paid to him on the due date (31 March 2023) whereas his Barclays Smart Investor holding in the same company share wasn't paid until several days later (4 April 2023.) But I disagree this is evidence of an unnecessary delay. Other than the fact that the difference is two business days, which in my view reasonably constitutes prompt in the circumstances, it is unfair to make a comparison between a certificated shareholding where the dividend is paid direct to Mr W versus a nominee holding where the dividend is paid to Barclays and it needs to carry out reconciliation work before payment can be made. So, I don't think this is an example of an unnecessary delay in payment.

Overall, I don't think Barclays has done anything wrong here. I'm not persuaded there is sufficient evidence to demonstrate that there was undue delay in making Mr W's dividend payments. I think Barclays acted within the rules that applied and so acted fairly and reasonably in the circumstances.

No interest paid on cash balances in investment account

Mr W has also raised a complaint that Barclays doesn't pay interest on un-invested cash held in its ISA investment account.

The decision by Barclays not to pay interest on these balances at the time was ultimately a commercial one. And because the account terms and conditions didn't say that it would pay interest on these balances, it hasn't done anything wrong.

Refund of fees

Mr W says he is disappointed Barclays didn't refund his account fees for April and May 2023 while he was waiting for it to investigate his complaint and then transfer his account elsewhere. But as the Investigator explained to Mr W, Barclays applied its fee in accordance with its terms. Mr W's account remained opened during the course of his complaint, so I think it only fair that its fee applied during this time as normal. Barclays says that it received Mr W's account transfer out instruction on 17 May 2023 and on 19 May 2023 once it had processed his instruction, it cancelled ongoing fees. I think a processing time of two business days is reasonable in the circumstances, so I don't award Mr W any refund of fees paid.

I can see that Mr W has asked for compensation for his time taken and costs incurred in bringing his complaint. But as I have decided to not uphold his complaint, I make no award in his favour.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 June 2024.

Paul Featherstone

Ombudsman