

The complaint

Mr W is unhappy with information provided to him by Freetrade Limited which he says caused a financial loss relating to a Corporate Action.

What happened

Mr W complained to Freetrade when he didn't receive free shares he was expecting as part of a reverse stock split. He was unhappy with information provided by Freetrade about the action as he didn't feel it was clear about when he needed to buy the shares.

Freetrade didn't uphold the complaint saying that Mr W wasn't considered a record holder on the date of the action and was therefore not eligible for the litigation settlement payment.

They said Mr W only became a shareholder once the shares had settled, which usually happened two or three working days after the trade. And in this situation because the shares settled after the date of the corporate action he wasn't entitled to the free shares.

Remaining unhappy Mr W brought his complaint to our service where one of our Investigators looked into what happened. They thought Freetrade had followed their procedures correctly and not acted unfairly.

Mr W disagreed saying he is a new investor and didn't know about the settlement process so Freetrade should've been clearer about what needed to happen.

Because an agreement couldn't be reached the matter has come to me for a 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.

Mr W has provided a lot of information about the complaint and it's clear to me how strongly he feels about what happened. I want to assure Mr W that I've read and considered everything provided even if I don't mention it in detail. I've summarised some of what happened which reflects the informal nature of our service.

Freetrade are an execution only service which means they do not provide advice. They provide information which allows people to make their own decisions about share trading on the platform. The terms and conditions say:

Our Dealing Service is an execution-only service. This means that when you give us instructions to buy or sell investments, you'll be responsible for your own investment decisions and actions .. We might give you general factual information about the Investment Services, Freetrade Account(s), and the Investments that may be made on our platform. .. However, we won't ever provide you with financial advice or personal recommendations. If you think you might need some advice before making a particular investment decision, you should obtain independent professional financial advice.

Mr W was thinking of buying some shares in a company I will call A, to take advantage of a corporate action. Mr W asked Freetrade for information about this and they replied saying, in part:

If you do not hold any A shares on the record date for litigation settlement payment, close of business on the 24th of August 2023, you would not be entitled to any additional A shares as part of the Litigation Settlement Payment.

Mr W purchased shares on 24 August 2024, but these did not settle until four days later which is when he officially became a shareholder. Because he wasn't a shareholder on the record day no free shares were issued.

Mr W says settlement times were never mentioned by Freetrade in their messages to him so he didn't understand the process. And this is essentially what caused him not to receive the free shares.

Freetrade terms and conditions say:

Settlement: where we take delivery of or deliver the Investments and pay the price or receive the proceeds in cash on your behalf. Depending on the type and circumstances of your order, the type of investment, and how the execution and settlement occur, there is usually a time gap between placing an order and the execution and/or between execution and settlement.

I think the terms and conditions make clear that there might be a delay between execution and settlement, such as what happened here. So by purchasing the shares on the record day it doesn't seem likely that execution would happen that day and that Mr W would become a shareholder then.

Mr W says that Freetrade could've done more as he'd been clear about why he wanted to purchase the shares. He's suggested Freetrade could've added a "Please bear in mind" message about settlement times on their communications. It's possible they could've done so, but that doesn't mean I think any incorrect information was provided, or that they acted unfairly. As I've said above, this is an execution only platform and no advice is given.

Having carefully considered everything that happened I'm satisfied Freetrade acted fairly and reasonably when dealing with Mr W so I won't be asking them to take any further action.

My final decision

For the reasons I've explained above, my 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 22 October 2024.

Warren Wilson
Ombudsman