

## The complaint

Mr M complains that Freetrade Ltd unreasonably blocked his attempts to place a trade for shares on 26 March 2024. He says it has caused him a financial loss, as by the time a trade could be executed, the price had fallen by \$11 per share.

## What happened

Mr M holds investments within a self-invested personal pension ('SIPP') wrapper. Included in that holding was stock for a business I'll call 'D.'

On 26 March 2024, D was subject to a corporate action, resulting in a merger and name change of the stock. Whilst Freetrade was reconciling this, no trading for D stock was permitted. However, when trading opened, Mr M says he made 15 attempts to sell his 14.215311 D shares using Freetrade's app, but on each occasion, the request failed.

Shortly before 2.00pm, Mr M contacted Freetrade. He said he was unable to sell his shares and the price had been increasing. Freetrade explained Mr M couldn't trade as it was still implementing the changes from the corporate action. It said it was due to resolve the matter within the trading day. The D stock became available at 3.52pm and Mr D placed an order to sell his shares, which was executed by Freetrade at 4.00pm. Mr M's shares were sold at \$66.12 per share. At 5.38pm, Mr M repurchased the same number of D shares at \$45.98 per share.

Mr M complained. He said that if Freetrade had warned about the inability to place a trade – which in his view it could easily have done - he could have made alternative contingencies with another broker to hedge his profit. However, since that didn't happen, he was only able to finally execute a trade at 4.00pm for some \$11 less per share. On the day in question, D's open price was \$70.90, the high was \$79.38, the low was \$57.25, and the close was \$57.99.

Freetrade upheld the complaint. It said its team that dealt with the corporate action had been waiting for final checks before D could recommence trading. But it accepted that its target had been to ensure the stock was tradeable for when the market opened. It agreed to refund Mr M two months of account fees (amounting to £23.99) as compensation for its actions.

In May 2024, Mr M brought the complaint to this service. He said that since the complaint was already upheld, all that needed to be determined was how Freetrade resolved it. In his view, the refund of two months' fees was insufficient. What it should have done is paid him the value of the shares at the time he had wanted to trade but Freetrade unfairly blocked him from doing so. This meant the difference of \$11 per share for the 14.215311 shares. Finally, Mr M said he should be compensated for the time he has spent having to make a complaint.

Freetrade felt it had fairly compensated Mr M and noted he had made an overall profit on the D shares on the trading day.

The complaint was then reviewed by one of our investigators who agreed that it ought to succeed, but not on the basis Mr M had set out. In his view, Freetrade couldn't compensate Mr M in the way he had asked, as it could not say with certainty what the sale price would

have been for the shares. However, he felt that it should offer increased compensation – of a further £50 – to properly account for the frustration Mr M had been caused.

Freetrade believed it had done enough to resolve matters – and on reflection, it believed it may not have needed to uphold the complaint at all, since it had acted in accordance with Mr M's terms and conditions. So, it asked for the complaint to be referred to an ombudsman.

Mr M didn't have any other comments 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.

I'd like to thank the parties for their considerable patience whilst this matter has awaited an ombudsman's decision, given the current demand for our service.

This service's role is to investigate disputes and resolve complaints informally, whilst taking into account relevant laws, regulations, and best practice. In reaching my decision, I'll focus on the issues I believe to be central to the complaint to decide what I think is fair and reasonable in all of the circumstances. 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.

I note that in terms of the primary outcome and redress for this complaint, both parties initially agreed that the matter is resolved. By that I mean that Freetrade identified that the repeated inability to place orders was frustrating for Mr M – and it had hoped to have the impact of the corporate action resolved by the start of the (US) trading day. Consequentially, the complaint was upheld, and pursued by Mr M to this service on that basis.

I understand that Freetrade now – with reflection – says that its own anticipated deadline was simply an internal time limit, and it should not be held accountable for that in terms of the complaint being upheld.

However, I do not believe that is the material consideration here. The complaint was already upheld on the overall basis that Freetrade had provided Mr M with a service that fell short of the standards it had set for itself. That it has since amended or reflected on the nature of internal deadlines is immaterial; at the time of the issue with trading, its relevant team had hoped to have processed the corporate action for D shares by the open for US trading.

As it was, the process took a further two hours and delayed Mr M being able to complete an order to sell at the open price or shortly thereafter. It is understandable Mr M was upset and frustrated with his failed attempts to trade on the app, and I agree with our investigator that a limited amount of compensation was due for the impact of that frustration.

That being said, I do agree with Freetrade that Mr M did not otherwise suffer any identifiable financial loss. Freetrade has shown us the regulatory requirement which determines that its order execution provider cannot action orders whilst there is a corporate action taking place with the relevant share, including mergers, acquisitions, stock splits and dividends. This also means that the security cannot be traded while the corporate action is being processed. The reason for this is to ensure that orders will not be executed using an incorrect stock ticker or at incorrect previous market prices.

That is borne out by Freetrade's '*Order Execution Policy*' applying to Mr M's account, which

says, *“in some circumstances, Limit and Stop Loss Orders may be cancelled by Freetrade or a third party. For instance, this may include where a security is subject to a corporate action or there is a significant change in the exchange rate for securities which require foreign exchange”*. The terms and conditions applying to Mr M’s account also expressly permit Freetrade to decline a customer’s order, where it is reasonable for it to do so.

So, Freetrade’s terms and conditions meant it could decline the order until the corporate action amendment was completed. And as our investigator noted, it cannot be ascertained exactly what price Mr M would have achieved for the sale, had he been able to execute an order earlier than 4.00pm. It follows that I don’t agree with Mr M’s contention that Freetrade’s actions caused him the \$11 per share loss that he claims now.

What this service does is consider if a business has treated its customer(s) unfairly because of actions or inactions. And if it has done so, we then go on to consider what ought to be done to put the mistake(s) right. As I’ve said above, I believe that the overall situation – as accepted by Freetrade in its final response letter – was exasperating for Mr M, even where it didn’t cause an ascertainable financial loss.

As well as putting right any financial losses in a complaint (though in this case, there are none) this service will also consider the emotional or practical impact of any errors on a complainant. In doing so, we do not fine or punish businesses; that regulatory role falls to the Financial Conduct Authority. It may be helpful for Mr M to review the guidance available on our website around the amounts and types of awards made in instances of upset, trouble, inconvenience and distress caused by businesses in the complaints we see at this service.

Considering the impact of the failed orders on the app, I agree that a small award is appropriate here. That is because Freetrade accepted in its final response letter that it had endeavoured to have the corporate action changes complete before the market was open. If it had achieved this, Mr M would not have made numerous failed attempts to trade in the short period before the stock was reinstated. In my view, an award of £50 is appropriate for an administrative issue which caused a small delay, but otherwise did not hamper Mr M’s ability to trade D shares, once Freetrade had processed the corporate action change.

### **Putting things right**

I direct Freetrade to pay £50 to Mr M, to reflect the minor inconvenience he experienced when placing unsuccessful share dealing orders via its app - something Freetrade has accepted in its final response letter - which had a short-term impact on Mr M’s trading.

This sum should be paid to Mr M within 28 days of Freetrade receiving notice of Mr M’s acceptance of my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment, at a rate of 8% simple per annum.

### **My final decision**

For the reasons explained, I uphold this complaint. I direct Freetrade Limited to pay the additional compensation I have set out above to Mr M. I make no other award.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 19 April 2025.

Jo Storey  
**Ombudsman**

