

The complaint

Mr A complained about AJ Bell Management Limited (AJ Bell). He said it has not paid the correct amount of interest on his cleared cash balance regarding his trading account that he holds with it. He would like AJ Bell to recalculate and pay the correct interest payment.

What happened

Mr A has a trading account with AJ Bell. He said AJ Bell had not calculated the correct interest payments correctly on cleared cash balances he held with it. He said for the period that he looked at; AJ Bell should have paid around £2500 rather than around £550 that it did pay. He complained to AJ Bell about this.

AJ Bell said in response the interest it applied to Mr A's account was correct. It said in consideration of what it had just said it didn't uphold Mr A's complaint as it had calculated interest in line with its process.

Mr A was not happy with AJ Bell's response and referred his complaint to our service.

An investigator looked into Mr A's complaint. She said after considering all the available evidence, she didn't think AJ Bell had done anything wrong. So, she didn't uphold Mr A's complaint. The investigator said AJ Bell prefunds Mr A's account which allows him to place purchase orders shortly after sell orders. She said she checked Mr A's statement and could see cleared cash did not remain in the account for any significant period. She also referenced the terms on the account about interest.

Mr A was not in agreement with the investigator's view. He said AJ Bell used to pay interest on the cash balance and that over a period of time, the interest payment it paid to him had reduced. He said the term on his account for interest payments had changed since he signed up for the account and was unfair.

The investigator went back to AJ Bell to ask it about this. AJ Bell said it had amended its terms since Mr A had opened his account in 2021 and this was common practice to consider changes in regulation and in its product offering. It said though that there had been no changes to how it approached making interest payments.

AJ Bell further explained that previously it had made errors in how it had calculated Mr A's interest payment and didn't apply its terms correctly, which meant it had overpaid him. It said despite allowances in its terms to recover payments made in error, it opted to allow Mr A to retain the overpayment. AJ Bell said it accepted it had previously miscalculated Mr A's interest payment from his September and December 2023 statements, but this had not disadvantaged him, the opposite being the case that he had benefited from its mistakes.

The investigator then asked AJ Bell to provide further evidence that it overpaid interest payments to Mr A previously. It then submitted statements and showed its calculations, where it said it overpaid Mr A.

The investigator then sent her second view out to the parties based on the additional information she had received along with the original submissions. She said she had been persuaded to change the outcome of her initial findings based on the additional information she had seen. She made the following findings:

- AJ Bell confirmed it changed its terms since Mr A signed up to receive its services. She described what the term for paying interest stated at the time he signed up and what it had changed to.
- She concluded the changes to this term had a direct impact on the way AJ Bell paid interest. She said this didn't mean it couldn't change its terms, its own terms made provisions for this. But its terms and also AJ Bell's wider regulatory obligations are such that it ought to have given prior notice before it implemented its changes. She described both the relevant term and AJ Bell's regulatory obligations in her view.
- She said it was clear to her that AJ Bell was always in a position to clarify Mr A's understanding from the outset of his complaint, but it chose not to do this.
- She said, to add to the confusion AJ Bell told our service it overpaid interest payments to Mr A in September and December 2023 and it didn't advise Mr A of this at the time, so he wasn't aware of the error.
- She said she asked it how it made its error and wasn't provided with a satisfactory explanation. She said because of this it was more likely than not that AJ Bell previously paid interest on pending transactions, but no longer does this following an update to its terms.
- She concluded that AJ Bell should pay £200 to Mr A for the distress and inconvenience it had caused. She said AJ Bell withheld significant information and neglected to communicate what had happened, with its change in terms, with the overpayments and in responding to Mr A's complaint.

AJ Bell accepted the investigator's view. Mr A said trades are funded on the day of settlement, and not the day of purchase. He said with this being the case, AJ Bell's term about interest payments is incorrect as the cash is only required on settlement date.

Mr A referred to a link on AJ Bell's website that he said showed it didn't mention that interest was not paid on cash that was to be used for the future settlement of purchases. He said he hadn't received any messages from AJ Bell notifying him of a change in the clause in relation to payment of interest.

Because the parties are not in agreement, Mr A's complaint has been passed to me, an ombudsman, to look into.

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.

Firstly, for clarification my role at the Financial Ombudsman Service, is to look at the evidence in front of me and decide whether AJ Bell has treated Mr A fairly or not and come to a resolution in the circumstances of his complaint.

I don't work for the regulator; our service doesn't write the rules or regulations for financial businesses, and I don't look to see whether it adheres to them either. I wanted to make that clear from the outset, so that the parties are aware that any comments about how AJ Bell calculates its interest within the context of its regulatory obligations and its conduct in that regard, should be directed towards the Financial Conduct Authority. I do note that Mr A has done this.

Instead, as I have said is my remit, I have considered whether AJ Bell treated Mr A fairly or not, and have looked into the circumstances of his complaint, in order to reach a fair and reasonable decision about this and seek a resolution. With this in mind, I have independently reviewed Mr A's complaint and have arrived at the same outcome as the investigator, for the same reasons.

I've looked through the transactions sheets and seen the interest payments that AJ Bell made to Mr A. I can see that there was clearly a drop in interest earned by Mr A after the quarter end December 2023.

After some pushing for further information, the investigator was able to find out the reason why this was the case. First off, AJ Bell said it made errors and didn't calculate the interest owed to Mr A correctly for the quarterly payments it made in September and December 2023. It then went on to explain, that it had amended its term in relation to interest, that is associated with the service it provides to Mr A.

I have looked at the relevant term about interest, that was in place when Mr A signed up for an account with AJ Bell, and the amended term that is in place now. There is a change in the wording that has been used and the latest term is more explicit, in that AJ Bell has stipulated that it would pay interest on net cash which has cleared and is not otherwise required to settle pending trades. I agree with the investigator on this, in that on balance, I think AJ Bell has changed the way it has calculated interest payments on Mr A's account, and this is the reason why he is now receiving a lot less than he has previously done.

I also, don't think AJ Bell has done anything wrong here in amending one of its terms, in that it has the ability to amend, revise, add or delete any of its terms, and has provision to do this, to respond to regulatory or legislative changes, but also it is within its rights to make commercial decisions about the services it provides too. Its decision to change how it calculates interest falls, I think, into the latter.

I acknowledge what Mr A has said about the revised term and his view about it, including that he's complained to the regulator about how its changes are unfair and why. But I don't think AJ Bell has been unfair to Mr A, by deciding to amend one of its terms. Because as much as AJ Bell is within its rights to change its terms, it is also up to Mr A to decide whether he wants to accept the services provided by AJ Bell and the decisions it has taken about this. On balance I don't think AJ Bell treated Mr A unfairly when it amended its term about how it pays interest on his account. I am satisfied it was able to do this.

That said, I also share concerns about how AJ Bell has communicated all of this with Mr A. AJ Bell said it made errors and overpaid interest to Mr A in September and December 2023, presumably because it had amended its terms about interest by then. But in any case, I can't see that it informed Mr A about this at the time.

Mr A has also said he didn't receive any message from AJ Bell that it had amended this term either. So, Mr A would have been unaware of the change in terms for interest payments and unaware that it had made mistakes in how it had calculated his interest over two quarters.

AJ Bell also wasn't clear with Mr A from the outset, about what had happened here, and it took a number of questions from Mr A and then our service to obtain from it why his interest payment had significantly reduced. I don't think AJ Bell has treated Mr A fairly here and agree with the investigator's recommendation that AJ Bell should pay him £200 for the distress and inconvenience it has caused in the circumstances of this complaint.

I appreciate that my decision will be disappointing for Mr A, and I do acknowledge that he is not happy about how AJ Bell are now paying interest. I do understand what he is saying about how trades are funded and his frustrations about the amendment made to AJ Bell's terms about interest as well as whether it has sufficiently displayed this, and again I know he has passed his comments onto the regulator. In conclusion and in the circumstances of his complaint, I can see AJ Bell made provision to amend its terms, and as such I don't think it treated Mr A unfairly when it did this. It did however communicate all of this poorly and for the reasons I have given, it should pay £200 to him for distress and inconvenience.

My final decision

My final decision is that AJ Bell Management Limited should pay Mr A £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 March 2025.

Mark Richardson
Ombudsman