

The complaint

Mr M complains that Interactive Investor Services Limited should have credited his account with an additional 70 shares following a corporate action. He would like Interactive Investor to put this right, provide him with a written apology and pay him compensation in the region of £500 to £1,000.

What happened

In June 2024, company A announced the divestiture of another company (company B) that it held a large stake in. The corporate action would entitle holders of shares in company A to shares in the newly divested company B. The announcement said that shareholders would receive one share for every six shares held in company A at the close of business on 13 June 2024. The distribution date was anticipated to be 24 June 2024.

Mr M bought shares in company A before 13 June 2024 through his Interactive Investor account so that he could benefit from the distribution of shares in company B. He held 420 shares by 13 June 2024. Mr M separately bought 930 shares in company B and anticipated that he would receive a further 70 shares through the distribution, which would leave him with a total of 1000 shares in company B.

Between 15 and 22 June 2024 Mr M reduced his holding in company A from 420 to 100 shares via three separate trades. Interactive Investor credited 16 new shares in company B to Mr M's account on 26 June 2024, based on his holding of 100 shares in company A on 24 June 2024.

Mr M complained to Interactive Investor that he was entitled to 70 shares in company B as he had held 420 shares in company A on 13 June 2024.

In their response Interactive Investor said that Mr M had only been due new shares based on his holding of 100 shares at close of business on 24 June 2024. They couldn't find any error in how they processed or conveyed the corporate action and said they were unable to uphold Mr M's complaint.

Mr M brought his complaint to our service. Our investigator gave his initial view in August 2024 but after both parties submitted more information he issued a subsequent view in September 2024. He decided not to uphold Mr M's complaint and said that:

- The entitlement date of 13 June 2024 was qualified by a section of company A's announcement which said that shareholders who sold their shares before the distribution date would also be selling their entitlement to receive company B shares in the distribution. So, shareholders would need to retain their holding in company A until the date of distribution to be entitled to the company B shares. Mr M's sale of his shares in company A before 24 June was therefore the reason why he received fewer shares than he was expecting.
- Although he agreed that the announcement was potentially confusing, he thought that Interactive Investor had credited Mr M with the correct number of shares.

He said he could not hold Interactive Investor at fault for the potentially confusing nature of an announcement they were not responsible for.

Mr M disagreed with our investigator and asked for an ombudsman to make a final decision. He said it was clear from the announcement that 13 June 2024 was the record date, and the distribution date was on or shortly after 23 June 2024. He sold his shares in company A after the record date and was therefore entitled to the additional shares in company B.

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 case, I agree with the findings of our investigator and have decided not to uphold Mr M's complaint. I will now explain why.

The announcement by company A of the divestiture and stock distribution made clear that the record date for the distribution would be 13 June 2024 and that the distribution date was expected to be 24 June 2024. Following that announcement Mr M decided to buy additional shares in company A and based on the stated record date he believes he is entitled to additional shares.

However, the announcement also included the following:

"[Company A] shareholders who sell their shares in the "regular way" market before the distribution date, will also be selling their entitlement to receive [company B] common shares in the distribution. Investors are encouraged to consult with their financial advisors regarding the specific implications of buying or selling [company A] common stock on or before the distribution date."

Mr M sold 320 of his shares in company A between 15 and 22 June 2024, and before the distribution date of 24 June 2024. Based on what the announcement said about the terms of the divestiture, it seems those shares would not have been included when calculating Mr M's entitlement to shares in company B.

I appreciate that Mr M has said the announcement made very clear that 13 June 2024 was the record date. But as I've noted above the announcement also explained that shareholders selling their shares before the distribution date would also be selling their entitlement to company B shares.

Interactive Investor had a responsibility to tell Mr M about any corporate action in relation to his investments. I note that in this case Interactive Investor's notice of the corporate action was not sent to Mr M until 24 June 2024. That was three weeks after the announcement of the divestiture and was on the anticipated distribution date. Even if Interactive Investor had sent the notice sooner than that, however, I'm not persuaded it would have made a difference to what happened. Mr M already had access to the announcement of the corporate action and made his trading decisions based on that.

Based on everything I've seen I don't think I can fairly say that Interactive Investor did anything wrong or acted unreasonably in how they processed the corporate action. I recognise that Mr M feels strongly about what has happened and realise this will be a disappointing decision for him, but I won't be upholding his complaint.

My final decision

For the reasons given, I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 March 2025.

Matthew Young
Ombudsman