

The complaint

Mr H complains he was misled into transferring a stocks and shares ISA from a previous provider to Interactive Brokers (U.K.) Limited (IBUK). He says that its website suggests corporate bonds could be traded in its ISA, but he later found this was incorrect.

What happened

Mr H opened his account and ISA with IBUK in October 2023 and transferred a stocks and shares ISA to it shortly afterwards. In December 2023 he wrote to IBUK to explain that he had a bond in his account and wanted to buy more of it. However when he tried to do so, he received an error message.

IBUK said that:

“Unfortunately you cannot trade bonds in the ISA account with Interactive Brokers. You may trade bonds in a regular trading account.

Under a stocks and shares ISA you can invest in any of the following investments (also known as ‘qualifying investments’):

- *Shares*
- *Securities issued by Companies;*
- *Recognised UCITS;*
- *Depository Receipts, American Depository Receipts and American Depository Shares.”*

This was the same information as contained on its website. Mr H complained.

He said that “securities issued by Companies” clearly included corporate bonds, so the communication was misleading.

IBUK looked into his complaint and didn’t agree it had done anything wrong. It said that it had made a business decision to restrict bonds from being traded within an ISA on its platform. It said it was working on making improvements but there was no definitive date to this. In terms of the information on its website, it said that it believed the website was clear about what can be invested. It said that products such as bonds and gilts were not mentioned as being available. It said it had taken his feedback on board but didn’t agree there had been any mis-selling or false advertising.

Mr H disagreed and referred his complaint to this service.

I issued a provisional decision in November 2024. In it I said:

“IBUK needed to ensure that its communications and, in this case, its marketing material to customers and potential customers, was fair, clear and not misleading (PRIN 7 and COBS 4.2.1).

During our investigation, IBUK has amended the information on its website. It now says that

in its stocks and shares ISA the following can be held:

- *Shares*
- *Securities issued by Companies (Stocks);*
- *Recognised UCITS;*
- *Depository Receipts, American Depository Receipts and American Depository Shares*

It then says, in bold and red:

“Note: Please note, as of now bond trading in ISA accounts are not permitted.”

During our investigation IBUK has, however, denied the previous iteration of its website was misleading. It has said:

“[Mr H] asserts he understood “Securities issued by Companies” to necessarily include “bonds”. The term, however, is not exclusive of stocks issued by companies. Although the term “shares” is separately enumerated that would include shares in an exchange traded fund (ETF), for instance, which would be different than “Securities issued by Companies”.”

I’m not persuaded by this explanation. Whatever IBUK intended by the first bullet point enumerating shares (and if it only intended ETFs it could also just have said ETFs which would’ve been unequivocal), using an umbrella term such as “securities” clearly ran the risk of consumers assuming that this choice had been deliberate – that it didn’t say just “shares issued by companies” because it was also including bonds. Furthermore, as I’ve said, using “shares” to mean “ETFs”, was also unclear – since “shares” on its own obviously could mean shares of any description, including those issued by companies and not just those in an ETF. So this, followed by “securities”, would also add to the misunderstanding being created.

It’s clear to me that IBUK’s amendments address this – particularly its note at the bottom which makes crystal clear that bonds aren’t included.

But the version of the website available to Mr H was not, in my view, fair clear and not misleading. I understand why Mr H concluded that bonds would be tradeable within his ISA. Furthermore, the evidence available in my view shows that if IBUK had been clearer at the outset in its communications, Mr H would’ve decided against transferring to IBUK – since investing in bonds was evidently something he was interested in doing. His behaviour after the transfer also supports this. So I’m satisfied that Mr H relied on IBUK’s unclear information and this caused him an inconvenience, for which I think he should be compensated.

I’m therefore provisionally intending to award Mr H £250 for the inconvenience the matter has caused him and, importantly, the further inconvenience he will be caused (if not caused already) by having to move away from IBUK to find a broker that allows trading in bonds within an ISA. All of this could’ve been avoided by clearer communications.”

IBUK accepted my provisional decision. Mr H did not respond.

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 done so, I see no reason to depart from my provisional conclusions and confirm them here as final.

Putting things right

IBUK should pay Mr H £250 compensation for the distress and inconvenience the matter has caused him.

My final decision

My final decision is that I uphold Mr H's complaint and award the compensation I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 December 2024.

Alessandro Pulzone
Ombudsman