DRN-5204400

The complaint

Mr R complains Idealing.com Limited ("iDealing") misled him about how changes to its coverage of Euronext securities would affect him.

Background

Mr R had an account with iDealing, holding various shares or securities. His complaint relates to a change iDealing made to this account and what iDealing told him about this.

I sent the parties my provisional decision on 7 September 2024, in the following terms:

Provisional decision text starts

What Happened

On 24 November 2020 iDealing told Mr R:

"We write to you to inform you that no new open positions (purchases) will be accepted in Euronext securities settled in Euroclear Europe after 4th December 2020.

Any holdings in these securities that are still on your account as at 11th December 2020 will be liquidated."

Mr R says he was told on 25 November 2020 the change was *"due to Brexit"*. He says iDealing indicated to him on the phone that it was an external regulatory issue. Mr R has told us this made him concerned these instruments might be sold-off more generally.

Mr R says his holdings were worth around 200,000 Euros and he began liquidating holdings that day. He has told us iDealing's message caused *"a sense of panic"* and his decision to sell parts of his portfolio *"in haste"* should be seen in this context. Also he says: *"…I also undertook during these few panic days… to check out iDealing's formal status… What I found was a small private company… which added to my concerns about potential liquidity issues…"*

On 26 November 2020 iDealing told Mr R it was withdrawing from *"ESES"* (Euroclear Settlement of Euronext-zone Securities) and the only holdings affected were French, Belgian and Dutch companies. Its email also said: *"[t]here is no directive from the French central bank nor from Euronext"* – in other words, there was no external regulatory issue.

But Mr R says French, Belgian and Dutch companies can be listed anywhere and *"I suddenly realised… iDealing users had no idea where their shares were actually listed… Nor what ESES and similar abbreviations meant and why it was relevant that the clearing system was also important. There is no… information on the "back office" implications of any shareholding - other than the currency in which a quote was given."*

Also Mr R says he didn't trust this clarification as it was from a source that had given the earlier information that caused his confusion, so was *"no better than hearsay."*

On 27 November 2020 Mr R raised concerns with iDealing.

On 30 November 2020 iDealing told Mr R its notification related to Euronext listed securities which are *"settled in Euroclear Europe (ESES)"* and he didn't need to close his positions but could instead transfer to a broker that holds securities in Euroclear ESES. iDealing says it told him such an instruction would not count as an 'open position' and would not be closed but moved to the new broker.

On 2 December 2020, iDealing told Mr R:

"There are some securities - primarily large French, Dutch and Belgian companies - that are traded on Euronext that may be able to be transferred out of Euroclear ESES (Europe) and into Crest (Euroclear UK & Ireland) to hold for our UK clients. These would technically become Crest Depositary Receipts rather than the underlying security. We will do this transfer automatically and do not need any instruction from you to do so. The securities that can be moved over to the UK tend to be the largest multinational stocks. It is not possible to provide a finite list right now of those securities, but we will not sell your positions after next week if we are permitted to move them to Crest."

Mr R says iDealing: *"…assured me that holdings would be transferred to CREST but they could not give me a list of which ones. Such vague statements added to my sense of nervousness. This complete change to the "liquidate" email inside a few days was meant to reassure me, but actually had the opposite effect."*

He also says *"I did approach several UK e-brokers but the first question they all asked is what shares would I want to transfer? This was unknown of course… Also the timescale of just a few days rendered this option not viable."*

Mr R says his issue with iDealing at first was lack of clarity of information. His complaint form also said iDealing had offered him no free transfers or free fund withdrawals, no reasonable period of notice, no further help and no compensation.

He has told us of other losses such as a shareholding where a transfer of the registration of beneficial ownership lost him a *"bonus offering of 10% to long term shareholders"* worth several hundred Euros.

Our investigator considered the complaint and found, in brief:

- That iDealing gave Mr R misleading information before 26 November 2020.
- That Mr R was misled by this and sold six holdings as a result before iDealing clarified things on 26 November 2020.
- That Mr R would've otherwise kept one of these holdings and sold the other five only once they increased by 20%
- That having sold those holdings Mr R acted reasonably in not seeking to buy them again to mitigate his loss.

Our investigator found the notification sent on 24 November 2020 was misleading in suggesting Mr R's Euronext holdings would be liquidated by 11 December 2020 when this didn't happen and iDealing on 30 November 2020 told Mr R he didn't need to sell his holdings. But our investigator thought iDealing's 26 November 2020 message clarified things at 10:28am. So our investigator thought iDealing wasn't at fault for Mr R selling holdings after that but thought his sale of six holdings before that was caused by iDealing's failings.

Our investigator didn't think Mr R ought to have repurchased his former holdings to mitigate his potential losses after 30 November 2020. In reaching this view our investigator noted iDealing was unable to confirm which holdings could be transferred to Crest, so Mr R likely remained concerned his holdings may still be liquidated. Our investigator didn't think iDealing told Mr R enough for him to make an informed decision as to whether he should repurchase his former holdings.

Mr R indicated that he was willing to settle his complaint on the basis suggested by our investigator. iDealing didn't agree. In brief summary, iDealing pointed out its terms and conditions say the *"range of securities available may change and will not necessarily cover the full range of securities listed on a given exchange…"* Also the conditions could be amended with, if practical, notice of at least 10 business days.

iDealing says the 24 November 2020 notification was clear, fair and not misleading. It says to explain that a potential outcome of withdrawing coverage for ESES securities was that some would be liquidated if Mr R did nothing by 11 December 2020, was factual and something it had to tell its customers. Also it said only Mr R concluded from this that he had to urgently liquidate his positions.

iDealing pointed also to the clarification it gave on 26 and 30 November 2020 (as set out above). It said Mr R was aware by this last date, at the latest, that CREST convertible ESES holdings would be transferred to CREST, which would've met his objective to hold these for the long term. But Mr R chose to sell holdings instead.

iDealing says Mr R would've been familiar with CREST and the instruments his holdings would be converted to, as international securities he had before were previously held as such instruments through iDealing before iDealing joined ESES.

iDealing says it wasn't reasonable for Mr R to sell holdings while dialogue with iDealing about the meaning of the notification and his options was still ongoing, so he should be responsible for any losses that resulted. It says a reasonable person would've satisfied themselves that they had all the information they needed from iDealing before acting.

iDealing also says it isn't fair to award Mr R redress for financial loss as there isn't evidence he suffered a loss due to selling his holdings. It says this bearing in mind he received funds in return for selling his holdings and he could have used these as he saw fit – such as to buy holdings he had sold (which would've led to a profit had he done this on 30 November 2020). Likewise any redress awarded to Mr R ought to take into account anything Mr R gained from reinvesting those funds – given he had the opportunity to do this to mitigate his loss. It would be unfair for Mr R to receive redress if he had already profited from reinvesting those funds. iDealing points out that it was unable to oblige or advise Mr R to repurchase his holdings.

iDealing also says the redress methodology was unfair, unreasonable, and irrational as it was based on assumptions and speculation for which there weren't good grounds. In particular the assertions that Mr R intended to keep holdings for the long term but separately that regardless of time horizon he would sell some if they gained 20%. iDealing says if Mr R had rebought securities, it would be fair (if it were at fault, which it disputes) to compensate him for lost gains in the meantime, but he didn't repurchase any of his holdings.

iDealing also says it was inappropriate to find iDealing at fault for not providing information to our service within deadlines set, given that iDealing had raised genuine procedural concerns about responding to those information requests…

What I've provisionally decided – and why

…In my view iDealing was entitled to decide it no longer wished to support trading in securities that used ESES. Its terms made clear it could make changes to the securities it supported and it might support some but not others. Even if its terms hadn't spelt this out, it would've been the sort of commercial decision iDealing was entitled to make. I'm not sure the term iDealing has cited about notice and changes to its terms is directly relevant, but it illustrates the general principle that iDealing could change what it offered but needed to give Mr R reasonable notice so as to treat him fairly.

Mr R says iDealing didn't give enough notice to allow him to transfer. But it is apparent from what he has said, and from his sale of the holdings well before iDealing's deadline, that he sold what he sold not because there wasn't time to transfer it but because he didn't wish to hold it anymore – partly due to what iDealing had told him. In particular he understood from iDealing on 25 November 2020 that its decision was driven by external constraints, so Mr R formed the view that holdings like his might be sold-off more widely, and so fall in value. From what he says, it was this that prompted him to sell holdings as soon as he did – and I see no reason not to accept his assertions about this as they fit the evidence.

I would observe that Mr R's conclusion – that there could be a wider sell-off - wasn't the only conclusion that could be drawn from what he says iDealing told him, but it seems to me to be a rational conclusion for a consumer like Mr R to form based on what he says he was told.

That said it is apparent that what iDealing told Mr R on 26 November 2020 made clear the change was specific to iDealing. So from that point Mr R's sales could no longer have been motivated by a fear of external constraints causing a wider sell-off. It was also apparent from that point that Mr R was permitted to transfer holdings to other brokers who supported them. So I share our investigator's view that from that point iDealing couldn't be held responsible if Mr R chose to sell holdings rather than seeking to transfer them. If he wished to keep his holdings, it made sense from that point for Mr R to keep them and try to transfer them.

Had Mr R held onto his holdings after 26 November 2020, it seems the result would've likely been he could've instructed a transfer, which would've extended the liquidation deadline, or had his holdings converted by iDealing itself, which is what I gather happened to the bulk of the holdings he kept. So in practice it appears there would've been time to transfer holdings had Mr R attempted to do this, even though this might not have been achieved before the 11 December 2020 liquidation deadline first given by iDealing on 24 November 2020.

With this in mind I return to the information Mr R received that led him to sell what he sold before the 26 November 2020 clarification. The 24 November 2020 notice told Mr R his holdings would have to be sold on 11 December 2020 but didn't give him a clear picture of what iDealing would allow him to do with those holdings in the meantime. In my view it would've been good customer service to point out to Mr R at that point that he could move his holdings elsewhere if he wanted – and to explain that this would extend the liquidation deadline, if that was so.

I agree with iDealing that it didn't have to explain to Mr R the rationale for its decision to stop supporting these holdings, but it did need to make clear to Mr R the implications of this for him, which included that he had the option to move his holdings elsewhere. I accept iDealing was not offering Mr R advice, but it seems to me that Mr R (or an adviser acting for him) would've needed to know from iDealing, before seeking to initiate a transfer of holdings, that such a transfer would be something iDealing would allow.

I accept iDealing gave more information later (and in time to allow a transfer, given that a transfer instruction would've led to the liquidation deadline being extended to let the transfer

take place). But it appears Mr R was prompted to act ahead of that further information, due to what he was told on 25 November 2020. iDealing hasn't said much about that interaction, except to dispute that it told Mr R the change was due to an external regulatory issue. It has pointed out its message of 26 November 2020 specifically refuted the idea of there being the regulatory issue Mr R says he was told about on 25 November. But the fact this message specifically addressed this point in the way it did, suggests to me there was likely some mention of this point the day before. On balance I'm inclined to accept Mr R's account.

It follows that in my view there were failings in the information iDealing gave to Mr R and I'm persuaded by what he says that these contributed to his decision to sell the holdings he sold before the 26 November 2020 clarification. So I share our investigator's view that Mr R's sale of those holdings was a result of failings on the part of iDealing. In reaching this view I don't overlook that Mr R's decision to carry on selling holdings knowing the change was specific to iDealing, does raise a question as to how far Mr R was motivated by what iDealing had told him and how far this was also due to other factors. But it does seem to be the change that prompted his inquiries and the sales I've referred to. So on balance I find this wouldn't have happened had it not been for failings on the part of iDealing here. Also it seems beyond dispute that Mr R was worried and suffered some degree of distress due to what he was told, and in my view iDealing's failings contributed to that distress.

With all this in mind, I turn now to the claim for redress for these failings – and in particular the claim for redress on the basis that Mr R would've held onto certain holdings regardless and held onto others until they rose in value by 20%. In this regard it seems to me a key point is Mr R's decision not to repurchase holdings and whether it is fair to award redress for losses based on the performance of those holdings in light of that.

It seems to me an award for a 20% gain that might've been achieved on holdings is not consistent with a finding that it was reasonable to not try to rebuy those holdings, either with iDealing if those holdings could be supported by CREST or elsewhere if they could not. I say this because if Mr R took the view the holdings had scope to gain 20% and were worth holding until that happened, I don't see why he didn't rebuy them as soon as possible so he could secure that anticipated gain. A similar thing can be said, perhaps more so, of the one holding he says he would've kept regardless of future price moves. It seems to me that had Mr R rebought those holdings he would've been able to mitigate his loss – indeed make a gain according to iDealing – and in due course benefit from the future performance of those holdings. Doing so would've meant also taking the risk that those holdings might fall in value rather than achieving the gains Mr R hoped for. But Mr R decided against reinvesting and taking those risks, so it seems to me that it would be unfair to award him redress for financial loss based on what he might've made had he been willing to take the risk of reinvestment.

In saying this I note Mr R has emphasised the uncertain investment environment that existed at the time and how this and his past investment experience were relevant to his decision to sell holdings when he did. It seems to me that a decision to repurchase the holdings would've meant deciding to accept the risk posed by the uncertainty of the times and despite Mr R's past experience. The evidence is that Mr R didn't wish to do this.

In saying all this I note that there were holdings Mr R didn't sell, so it is clear he was willing to take and accept investment risk related to those holdings. But this doesn't persuade me it would be fair to award redress for holdings he wasn't willing to buy and hold in that period.

I reach this view taking into account that I've seen nothing to suggest iDealing's failings between 24 and 26 November 2020 prevented Mr R from seeking out the holdings he had and investing in them elsewhere or with iDealing after that time. I note what Mr R says about being unfamiliar with specific listing arrangements for various holdings, and I accept he didn't need to know these details while iDealing was participating in ESES. Also I've no reason to

doubt what he says about those details not being readily identifiable in information displayed by iDealing's system. But it seems to me that where Mr R needed to know more about the investments he had or wished to make, it wouldn't have been unreasonable for iDealing to expect Mr R to make the enquiries he needed to make, either of iDealing or more generally.

I note what Mr R says about losing a bonus due to the re-registering of one holding. But as iDealing was entitled to decide to withdraw support from the affected holdings, it seems to me this loss was the result of a decision iDealing was entitled to make and not the result of any failing on its part. As such I don't consider that I could fairly award Mr R redress for this.

But in my view it is fair and reasonable for iDealing to compensate Mr R for distress its initial failings caused him, as found above. I also share our investigator's view that inconvenience arose later due to iDealing not providing information by deadlines given, but my award is mostly for Mr R's initial distress rather than later inconvenience. In my view an award of £500 is fair redress for distress and inconvenience caused to Mr R by iDealing's failings.

I note what iDealing says about raising genuine objections to our approach, but I don't think this explains all its delays and it seems to me iDealing could've explored its objections to our approach while also providing information we asked for – or in any case provided it more quickly once those objections had paused or run their course.

In light of all I've said above, I currently intend to uphold Mr R's complaint in part and to say that iDealing should pay him £500 for distress and inconvenience caused by its failings. But I don't intend to make any other award.

Provisional decision text ends

So, in brief summary:

I found iDealing was entitled to decide it no longer wished to support trading in securities that used "ESES" - Euroclear Europe or the Euroclear Settlement of Euronext-zone Securities - and I didn't find Mr R sold holdings due to an impending deadline set by iDealing.

I found it would've been good customer service had iDealing's announcement been clear on what Mr R would be permitted to do with his holdings, including that he could transfer them elsewhere and that this would extend the liquidation deadline. I found Mr R sold holdings based initially on an impression iDealing gave that its decision stop supporting ESES securities was due to factors external to iDealing, that Mr R reasoned might therefore apply to other market participants and cause prices to fall.

I found iDealing corrected this impression and what Mr R sold after that he sold knowing iDealing's decision to stop supporting ESES securities was particular to iDealing and knowing he could transfer rather than sell the securities if he wished. I found iDealing at fault and responsible for sales Mr R made before this correction but not for those made after it.

But I found nothing to suggest iDealing's failings prevented Mr R from repurchasing, with iDealing or elsewhere, the holdings from those earlier sales. I found Mr R would've been able to mitigate his loss by doing this – and could've been better off than if he hadn't sold the holdings at all, according to iDealing. I found that by not choosing to repurchase holdings, Mr R had decided against taking the investment risk associated with the holdings.

In view of this I didn't think it would be fair to order iDealing to pay Mr R what he might've made had he been willing to take that investment risk and kept his holdings and sold some only once they rose by 20% while keeping the others regardless of price - which is what he said he would've done if he hadn't made those sales. If Mr R thought the holdings had scope

to make 20% or more and were worth keeping until then, I found no good reason why Mr R shouldn't have rebought them as soon as possible to secure that anticipated gain.

I found a bonus Mr R said he'd lost due to the re-registering of one holding, was something lost due to iDealing's decision to stop supporting trading in ESES securities – which it was entitled to decide. So I found I couldn't fairly award Mr R redress for this loss because it wasn't a loss caused by a failing by iDealing.

But I found it would be fair and reasonable for iDealing to pay him £500 to compensate him for distress its failings had caused to him and also for inconvenience that arose later due to iDealing not providing information by deadlines given by us. I found iDealing while exploring its objections to our approach could've also given us information we asked for or given this more quickly once those objections had paused or run their course. I found £500 would be a fair award, mostly for Mr R's initial distress rather than the later inconvenience.

iDealing replied to my provisional decision saying it didn't have anything else to add. Mr R replied with further points. In brief summary:

- The provisional decision disturbingly suggests iDealing is able to act entirely in its own commercial interest without regard to the quality and continuity of service to clients. It refers to a bonus for holding shares for a certain period, which presumably is lost on moving to CREST. Would this loss be allowed if it applied to a large public flotation? Not protecting clients' rights while making arbitrary commercial decisions, is a conduct issue. iDealing's aggressive attitude throughout suggests its version of conduct isn't reasonable and client driven. He'd assumed the FCA could ensure regulated companies adhere to rules that would protect clients from rogue or unreasonable behaviour.

- The "cold" facts don't begin to portray the sense of panic caused at the time, having been previously impacted by the 2008 banking crisis and aware of the fluidity of Brexit. He wasn't calmed by ratings he found for iDealing online on the day he received its original "liquidation" email. When iDealing told him on the phone the changes were another Brexit consequence, he started a "panic driven sell off". It was perfectly natural to try to be ahead of the curve in the climate of Brexit and market uncertainty. Mindful of potential tax liabilities, he held off further sales once it appeared the decision to stop supporting ESES shares wasn't a "political decision". The British Embassy and French National Bank assured him they had no knowledge of anything like that.

- Investors are not rational decisionmakers. Confidence is everything. It can take years to build and be lost in a moment. His confidence was lost in a flash. It hasn't been regained in subsequent interactions with iDealing, which made little effort to re-establish the status quo. Suggesting that having had some (but never any precise) clarification, he should've rebought the 'panic sold' shares a few days later with the same company, paying two sets of commission, spreads and possibly currency costs, is to suggest sheer folly. No rational person would've reinvested given iDealing's conduct and the climate of confusion this triggered.

- Also the spreads for trading the transferred holdings are wider than those on the "native" exchanges. The information shown for them on his account is chaotic and variable – and not on the same fifteen minute delay line as UK stocks.

- Sales don't realise re-useable funds for many days. iDealing charges £3.80 for a £5,000 bank transfer, limited to one a day and taking up to four 4 calendar days. Transferring 200,000 Euros would take 40 such transfers. He resents giving iDealing the best part of £600 just to access his own funds. Given the £5000 limit, reinvesting with a new provider would've required a delay of three to four working days for each of up to around fifteen holdings, accumulating extra 'buy' charges. Liquidating his portfolio and transferring the funds by BACS would've cost £900 in BACS and selling fees and taken many days. Four transfers by cheque could move 200,000 Euros at £35 pounds a cheque. But receiving and clearing the cheques for reinvestment would have taken three to four weeks.

- It is wrong to assume account holders know the intricacies of the backroom system and wrong to say he had time to find a new service for the affected stocks, given iDealing never specified which stocks were affected or could be moved to CREST. The cost and time involved in moving were also not trivial.

- He launched his complaint on the issue of "Conduct" but was advised that for his case to proceed he had to show real loss. He is inclined to agree that finding the appropriate method for compensation isn't straightforward. He used a plus or minus 20% gain/loss sell rule as a rule of thumb rather than rigorously.

- The proposed award doesn't seem to sufficiently cover mental anguish, inconvenience or loss of opportunity for which compensation can be awarded. Nor does it cover future loss of opportunity caused by loss of confidence. The award would've been reasonable had it also allowed him to withdraw his account from iDealing without further charge. Without this its level belittles the anguish and inconvenience suffered. One reads of fines levied on firms that are not necessarily client-loss related, whereas the value of the proposed award does nothing to change attitudes and create a better service environment.

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've arrived at the same conclusions as those I reached in my provisional decision, and for the same reasons. So my remarks will be brief, but I've commented on the points raised by Mr R to explain why these didn't change my decision.

Mr R has pointed out practical difficulties he might have encountered had he wished to repurchase the holdings I found iDealing's failings had caused him to sell. But I'm not persuaded those difficulties were such that Mr R couldn't have repurchased those holdings. If he was unable to obtain clarity from iDealing as to which holdings it could support in future, whether as depository receipts or in some other way, Mr R could have bought the holdings elsewhere with a broker that still supported those holdings. Mr R knew which holdings he had sold, so he knew which ones to buy if he wished to replace them.

I accept some time might have elapsed between the sales and the funds from the sales being available for new purchases. But I don't think this means Mr R didn't have a chance to use those proceeds, when they become available, to buy the holdings he had sold and to participate in their future performance if this is what he wanted to do.

I remain of the view that the main reason Mr R didn't try to invest again in the holdings he had sold was he didn't wish to risk investing in them at that time. He has alluded to other reasons for not wishing to do this too, including the transaction costs that would be involved and a reluctance to buy things again through iDealing. But he has also indicated he lacked confidence to remake the investments.

I've thought carefully about what Mr R has said about how his reluctance to make new investments arose as a result of panic caused by what I've identified as failings of iDealing. But I'm not persuaded faults on iDealing's part were the sole or sufficient cause of him not wishing to reinvest the sale proceeds into the holdings he had sold. So I don't find that those faults were the cause of Mr R not profiting from investments in those holdings in the way he says he would've wished to profit.

In my view Mr R was free to reinvest the sale proceeds if he wished to do so, and to exercise his own investment judgement. iDealing's failings didn't stop him from doing this. There were holdings Mr R didn't sell, so it is clear he was willing to take and accept investment risk related to those holdings. But this doesn't persuade me it would be fair to award redress for holdings he wasn't willing to buy and hold in that period.

My provisional decision explained that to treat Mr R fairly iDealing needed to give reasonable notice when changing the service it was giving him. So I don't agree my decision indicates that iDealing was permitted to act in its own interests and not treat Mr R fairly.

Turning to Mr R's comments on redress, I should make clear the purpose of my award - in accordance with my powers - is to compensate Mr R for inconvenience and distress caused by iDealing's failings. It isn't to change attitudes or for other purposes Mr R has mentioned – it is the FCA rather than the ombudsman which fines firms for conduct issues, for example. I note what Mr R says about loss of opportunity arising from loss of confidence, but I'm not persuaded iDealing deprived Mr R of the chance to invest his funds.

I've found iDealing's initial announcement could've said more, and that iDealing made an error in what it told Mr R on the phone the next day, but I've found that iDealing corrected that error the following day. I don't agree that iDealing's failings, as identified in this decision, mean iDealing ought to waive charges that it would otherwise be fair for it to charge Mr R should he decide to move his investments away from iDealing and stop using its services.

For the reasons I've given, I uphold Mr R's complaint in part.

Putting things right

Idealing.com Limited must put things right by paying Mr R £500 for inconvenience and distress caused by the failings of iDealing I've identified above.

My final decision

For the reasons I've given and in light of all I've said above, I uphold Mr R's complaint. Idealing.com Limited must put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 January 2025.

Richard Sheridan
Ombudsman