

## **The complaint**

Mr W complains that WiseAlpha Technologies Limited (“WiseAlpha”) will not offer a platform to create a secondary market in shares he acquired following the restructure of a corporate bond in which he invested. Mr W says he was led to believe WiseAlpha would offer such a market and that it is therefore obliged to do so, or to buy his shares from him.

## **What happened**

From around April 2020 Mr W made investments in fractional corporate bonds, issued by a restaurant chain, “P”. In 2021 P underwent a financial restructure and, as part of that, Mr W was allocated shares in P and a new issue of bonds. P is not a listed company; there is therefore no established market for shares in it.

Mr W contacted WiseAlpha from 2021 onwards with queries about trading the bonds and the shares he had received. After WiseAlpha told Mr W it did not offer a secondary market in private equity, Mr W asked WiseAlpha to purchase the shares he held from him. WiseAlpha said it would not do this, which led to Mr W making his complaint.

Mr W’s key point is that he was led to believe WiseAlpha would provide a secondary market for any investment arising from trades he made through its platform. In support of this, he has referred to sections of WiseAlpha’s Risk Assessment and Important Information, which I quote in my findings below.

Mr W also says he was not told, when informed of the restructure, that there would be no secondary market available for the shares he received. In short, he feels he has been misled by WiseAlpha.

WiseAlpha did not uphold Mr W’s complaint. It said, in summary:

- WiseAlpha is an execution-only fractional corporate bond platform so when a restructuring event occurs with a bond issuer, its role under the Fractional Bond Agreement it had with Mr W is simply to pass on any proceeds and information related to the underlying securities Mr W invested in.
- In the event of a company suffering difficulty leading to a restructuring of their bonds bondholders may receive a variety of different forms of compensation such as bonds with amended terms or equity or both, and it always ensures that clients receive the exact economic terms of the restructuring pro rata to their fractional bond holdings.
- In restructurings any equity entitlement is commonly private i.e. there is no secondary market for these instruments, and they are not tradeable on any public exchange.
- Its business model is centred around corporate bonds and it does not offer equity products as a matter of course let alone a secondary market for private equity. It therefore should not be expected to provide liquidity or build a secondary market for specific instruments that have been created in rare restructuring situations of a bond, which it has no influence over.

- Mr W's position is the result of a restructuring of the bonds issued by P, and the onus to perform due diligence on the initial investment was his. The subscription offer set out the terms of the new issue of bonds and was Mr W's own investment decision.

Mr W was not satisfied with this response, and referred his complaint to us. Our investigator concluded it should not be upheld. She said, in summary:

- The Risk Assessment, at the time Mr W opened his account, referred to "Notes" when describing what secondary market would be provided and, in her view, it was clear "Notes" referred to the fractional bonds Mr W invested in.
- She was satisfied WiseAlpha fulfilled its regulatory requirements by ensuring he had sufficient information to enable him to understand the risks associated with the investments he was making. She could not hold WiseAlpha responsible if Mr W did not read the information provided to him.
- She had seen nothing to suggest WiseAlpha gave any guarantees about the services or products that were available on its platform.
- Ultimately, WiseAlpha never offered Mr W a secondary market in shares, as none was available at the time he signed up to its platform.

Mr W did not accept the investigator's view. He said, in summary:

- The investigator had failed to answer all the points he had raised.
- The investigator has quoted from two different versions of the Risk Assessment. He remains of the view the Risk Assessment did lead him to believe that a secondary market for shares would be available. Given the wording of the Risk Assessment, and the fact he had traded the bonds multiple times on the secondary market, it was reasonable for him to conclude a secondary market in the shares was available.
- The Important Information section of sign-up process explains "Notes" can be terms of "other investments" and were not therefore specifically bonds.

Mr W's response otherwise largely reiterated his previous submissions, and referred the investigator back to them.

Mr W requested referral to an ombudsman. The complaint has, accordingly, been passed to me for consideration.

### **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 acknowledge Mr W's request that I respond to each of the points he has raised. I would like to assure him I have read, and carefully considered, all the submissions he has made. However, my role is to independently reach a view on what is fair and reasonable in the circumstances, and the purpose of this decision is to set out what that view is, and my reasons for reaching it; not to present a point-by-point response to everything the parties have submitted. We are an informal dispute resolution service and operate on an inquisitorial, not adversarial basis.

I know this will disappoint Mr W but, having considered everything, I have reached the same

overall conclusion as the investigator, and for similar reasons.

A lot of focus has been put on sections of the Risk Assessment and Important Information documents, which set out the nature of, and terms associated with, the service WiseAlpha provided. Mr W has highlighted a number of sections from these documents, including the following:

*“If you need access to the money you have invested before the scheduled maturity date of an investment, you may use our secondary market to sell your investment to another user on a matched bargain basis less the relevant Sales Fee of that WiseAlpha product, however there is no guarantee of receiving liquidity.”*

*“Participation Notes, or “Notes”, issued by WiseAlpha Limited are designed to reflect the key terms of a specific loan-based investment or other investment issued by established companies in the United Kingdom and mainland Europe”*

*“notes (“Notes”) which reflects the key economic terms of the underlying corporate loan or bond assets or other investments”*

To be clear, I mention these as examples – I have considered all Mr W has highlighted.

There has been some debate about whether all this wording was used at the same time, and therefore what was seen by Mr W before he began investing. But even if I accept all the wording Mr W has highlighted existed concurrently, and was seen, and relied on, by him before he made his investments in the bond, I do not think it is evidence WiseAlpha held out to Mr W that it would provide a secondary market for any shares issued by P in the event of a financial restructure.

In my view a key point here is that all the wording Mr W has highlighted needs to be viewed in the context of the service WiseAlpha was offering and the specific terms of the bond he was investing in. In relation to the former it was, in my view, clear that WiseAlpha offered a platform for trading corporate bonds only. At the home page and in the “about us” section of its website, it says:

*“WiseAlpha provides trading and automated portfolio services for individuals and institutions to gain exposure to the corporate bond asset class”*

That is consistent with the language used elsewhere, and I am satisfied that it was made sufficiently clear to Mr W that he was signing up to a corporate bond trading platform.

In respect of the terms of the specific bond Mr W was investing in, it is not clear whether he did contemplate the possibility of receiving shares in P when he invested in fractions of a bond issued by it and therefore did read the terms he now highlights with that possibility in mind. But, if he did, I do not think the terms – particularly when viewed in the overall context of the service WiseAlpha provided – were misleading, insofar as they held out that WiseAlpha would offer a platform to trade unlisted shares.

The references to “your investment”, in my view, can only refer to investments acquired using the service WiseAlpha provided i.e. a corporate bond trading platform and therefore refer to investments in that asset class. A “note” is, by common meaning, within an investment context, a debt obligation, usually described by reference to the term of the debt and interest payable (the “key economic terms”). The structure of them can vary, and I therefore think it was reasonable to describe them as relating to an “underlying corporate loan” (or “specifically loan-based”) or “other investment”. This does not, in my view, amount to WiseAlpha holding out that Mr W would be able to trade unlisted shares on the platform,

contrary to the headline messages about the service it provided.

Ultimately, a financial restructure and Mr W receiving illiquid shares as a consequence of it, were risks inherent in Mr W's investments in the bond. I have not seen sufficient evidence to show information was not made available to Mr W by WiseAlpha to allow Mr W to assess the risks. WiseAlpha provided a non-advised service, and it was therefore for Mr W to ensure he fully appraised himself of those risks before he invested, which ought to have included contemplation of his receiving shares in P, which was not listed on a stock exchange, and what options might be open to him in those circumstances. If he did contemplate that risk at the time I have not seen sufficient evidence to show WiseAlpha held out to Mr W that it would be mitigated by it providing liquidity.

With the above in mind, I do not think it would be fair and reasonable to ask WiseAlpha to do anything else.

### **My final decision**

For the reasons given, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 31 July 2025.

John Pattinson  
**Ombudsman**