

The complaint

Mr K complains that Halifax Share Dealing Limited trading as IWeb Share Dealing (“IWeb”) unfairly restricted his access to his trading account. He argues they have incorrectly applied European sanctions regulations and wants his access restored.

What happened

Mr K had a share dealing account with IWeb. In 2022, an EU sanction came into force following the conflict between Russia and Ukraine. IWeb considered that Article 5f of this sanction (Council Regulation (EU) No 833/2014) meant it needed to restrict Mr K’s account, because it considered him to be a Russian national.

When Mr K discovered the restriction, he contacted IWeb. It told him the sanctions meant it couldn’t sell certain securities denominated in a currency of an EU member state, and funds containing those securities, to any Russian national. It said he’d told it he had dual British and Russian citizenship.

Mr K disputed that the regulations meant IWeb couldn’t continue providing him with the same service. He said his British nationality should mean the sanctions didn’t apply. And he told IWeb that in any event he was *“no longer a Russian national just British”*. He said IWeb was discriminating against him.

Mr K complained, and IWeb responded on 18 July 2023. It reiterated that it felt the sanctions applied to its dealings with Mr K, and that its terms allowed it to reject orders it reasonably believed might breach any regulatory requirement.

Mr K responded the same day to say that he still didn’t think the sanctions applied the way IWeb said they did when he was a dual British and Russian national. And he said again that he was *“a British National (currently my only nationality)”*.

IWeb wrote back to Mr K the following day, and gave Mr K an email address, saying *“you advise that you no longer hold Russian nationality, if you could send evidence of this to [address] then my colleagues can assist with removing the restriction.”*

Mr K remained unhappy and came to our service. He wrote to IWeb on 19 July 2023 advising them this was the course of action he intended to take, *“as I don’t feel you’re listening or responding to the 2 issues I have raised”*. He went on to ask IWeb what sort of evidence it had in mind in order to demonstrate his now single nationality and to have his account restriction lifted.

After referring his complaint to our service direct correspondence between Mr K and IWeb appears to have stopped.

One of our investigators looked into things. In the course of her investigation Mr K provided an email from the Russian Embassy in the UK, which he said showed that he was no longer a Russian national or citizen. Our service provided this email to IWeb, and after some back and forth, in September 2024 it wrote to us to say *“we would now accept your request that*

we accept the 'Embassy e-mail' as evidence [...] we shall therefore await your agreement to this suggestion for moving forward before lifting the partial restriction on [Mr K]'s account."

IWeb also said it considered the matter of the email and evidence it required to lift Mr K's account restrictions to be *"an entirely separate issue to the complaint that was referred to your service"*.

The investigator went on to issue an assessment of the complaint. In summary she said:

- The complaint had two aspects – the initial restriction of Mr K's account, and the continued restriction once Mr K had told IWeb he no longer held Russian nationality.
- On the first point, the investigator thought the matter would be better dealt with by a court. And so she thought our service should dismiss this complaint point without considering its merits.
- On the question of lifting the restriction, she wasn't persuaded that this was a separate issue to the complaint Mr K had raised and referred to our service. She said Mr K had told IWeb he was no longer a Russian national before making his complaint, and she was satisfied that this issue, and IWeb's handling of his request to lift the restriction on the basis he was no longer a Russian national, formed part of this complaint.
- She said IWeb had failed to look into Mr K's assertions that he was no longer a Russian national in July 2023, as it ought to have done. And she said it hadn't provided any substantial reasons why it wouldn't accept the email from the embassy as sufficient evidence to satisfy itself Mr K wasn't caught by the sanctions regulations.
- She thought IWeb should remove the restriction from Mr K's account. She also found that Mr K had been significantly inconvenienced by being unable to use IWeb's platform for over a year, and that having his nationality questioned would have been very distressing. She thought IWeb should pay Mr K £750 compensation in light of that.

IWeb didn't accept the investigator's view and asked for an ombudsman's decision. It said it had asked Mr K for evidence of his nationality in July 2023 and he hadn't provided it. It further said that a complaint about not knowing what evidence would be acceptable was distinct from the original complaint made in 2023, and should be treated as a separate matter.

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.

Like our investigator, I'm satisfied there are two related issues to resolve here. Mr K is unhappy that IWeb restricted his account while it thought he was a dual British/Russian national, and he's further complained that the restriction at the very least should have been lifted once he told it he was no longer a Russian national. I'll deal with each of these things in turn.

The initial restriction

Our service, and the way we look into complaints, is bound by the Dispute Resolution (DISP) rules set out in the Financial Conduct Authority's Handbook. The DISP rules set out the circumstances where our service may decide not to give an opinion on whether a firm has treated a complainant fairly and reasonably. These are known as the dismissal rules. Specifically, the rule at DISP 3.3.4AR says:

*“The Ombudsman may dismiss a complaint referred to the Financial Ombudsman Service on or after 9 July 2015 without considering its merits if the Ombudsman considers that:
...*

(5) dealing with such a type of complaint would otherwise seriously impair the effective operation of the Financial Ombudsman Service.”

The guidance at DISP 3.3.4BG says:

“Examples of a type of complaint that would otherwise seriously impair the effective operation of the Financial Ombudsman Service may include:

(1) where it would be more suitable for the complaint to be dealt with by a court or a comparable ADR entity;”

IWeb has said that they applied the restriction to Mr K’s account, due to Article 5f of Council Regulation (EU) No 833/2014, which at the time it came into force in April 2022, said:

- 1. “It shall be prohibited to sell transferable securities denominated in any official currency of a Member State issued after 12 April 2022 or units in collective investment undertakings providing exposure to such securities, to any Russian national or natural person residing in Russia or any legal person, entity or body established in Russia.*
- 2. Paragraph 1 shall not apply to nationals of a Member State or natural persons having a temporary or permanent residence permit in a Member State.”*

Because Mr K was (as far as IWeb knew until July 2023) a Russian national who is not also a national of, or resident in, an EU Member State, IWeb considers that the EU sanction affects the nature of the business they can conduct with him and that the restrictions they’ve imposed are justifiable because of it. This is regardless of the fact Mr K was and is a UK resident.

Having reviewed the investigator’s reasoning, I agree that Mr K’s complaint raises questions about: (1) the interaction between the EU sanction (in particular, how it impacts the business that IWeb conducts with individuals who hold Russian nationality) and the UK’s legislation prohibiting discrimination on the grounds of nationality (in particular, the Equality Act 2010); and (2) how any tension that arises between them should be resolved.

In my view, the questions for determination in this part of Mr K’s complaint are ones which give rise to important or novel points of law with potentially significant consequences, which could have wider implications. I’m satisfied this means this complaint is of a type that would be more suitable to be dealt with by a court, and that dealing with such a type of a complaint would seriously impair the effective operation of the Financial Ombudsman Service under DISP 3.3.4AR(5), when read with DISP 3.3.4BG(1), which I have referred to above.

I understand this outcome will come as a disappointment to Mr K, as he feels strongly that our service ought to be looking into this part of his complaint. But as an informal service, we aren’t always the most appropriate venue to deal with a complaint and for the reasons set out above, under DISP 3.3.4AR(5) (read with DISP 3.3.4BG(1)), I’m dismissing the complaint, without considering its merits.

It is open to Mr K to consider pursuing this matter against IWeb through court proceedings if he is so minded, although that is not something that the Financial Ombudsman Service can advise on.

Whether the restriction should be lifted

Mr K has said he is no longer a Russian national, so regardless of the above, the sanctions should no longer apply to IWeb's dealings with him and his account should be de-restricted.

There's been some dispute between IWeb and our service about the degree to which this – and subsequent questions of what evidence Mr K needed to provide in order to satisfy IWeb he is no longer a Russian national – forms part of his original complaint. And whether our service therefore has jurisdiction to consider it where IWeb hasn't been afforded an opportunity to investigate and respond to this new complaint.

Like our investigator, I'm satisfied the issues she covered in her assessment of Mr K's complaint, and which I will go on to address below, form part of one overall complaint which I have jurisdiction to consider.

I've seen the online chat which IWeb took as Mr K's complaint and prompted its final response. In this chat Mr K told IWeb he was *"no longer"* a Russian national.

In his complaint form to our service, which we sent to IWeb on 26 July 2023, Mr K says under the section *"Tell us about your complaint"* that he doesn't *"feel either my current position (British national) and/or my previous position (dual national) have been taken into account"*.

In his reply to IWeb's final response on 18 July 2023 Mr K reiterates that British is currently his only nationality. When he follows up on 19 July 2023 Mr K says that he wishes to pursue his complaint with our service because *"I don't feel you're listening or responding to the 2 issues I have raised."*

Taking all this into account I'm of the view that from the beginning, and throughout his complaint, Mr K has clearly communicated to our service and to IWeb that he was unhappy with two things – the restriction of his account on the basis of his dual nationality and that IWeb hadn't lifted it now he'd told it he was no longer Russian.

It's my view that some of the specifics IWeb has argued are new or separate – Mr K questioning the evidence required, and whether or not IWeb would accept the embassy email he later provided – are matters relevant to IWeb's resolution of the complaint Mr K had already made. They follow continuously and, in my view intrinsically linked to, his complaint that he'd told IWeb he was no longer Russian and it was still restricting his account.

Ultimately, on 19 July 2023 Mr K told IWeb he had *"2 issues"* he was unhappy about and in the next sentence asked about the evidence IWeb needed to prove his nationality. I therefore find that these matters form part of this complaint and I have the power to consider them.

I'll now turn to the substance of this part of Mr K's complaint.

Mr K told IWeb before he complained he was no longer a Russian national. He had to say it a second time, in response to IWeb's final response, before IWeb asked him to provide evidence. Mr K quickly responded to ask what IWeb needed, and received no response. I don't think this had regards for Mr K's interests or treated him fairly, as IWeb was required to do.

I appreciate that at this time in July 2023 Mr K was making his complaint to our service. But I don't think that prevented IWeb from responding to Mr K's email or telling him what it needed.

IWeb still hasn't said to Mr K or to our service what specifically it would have needed to see in order to be satisfied Mr K wasn't a Russian national, and to remove the restriction. However I note that it has now said that it is willing to accept the email Mr K provided IWeb with through our service. I'm pleased to hear IWeb is willing to do so and remove the restrictions on Mr K's account. But I think this could have happened much sooner.

Because IWeb hasn't explained its process or requirements I can't be sure whether Mr K could have provided what it needed immediately, had IWeb replied to his 19 July 2023 email asking what he needed to send it. But as it ultimately accepted the email he provided, and that email was from September 2022, I think on balance that had IWeb engaged in dialogue with Mr K in July 2023, it's more likely than not that it would have within a short space of time reached the position it now has – that it is satisfied Mr K is no longer a Russian national and so it doesn't need to operate his account as if the EU sanctions apply to Mr K.

I also note that IWeb's consideration that Mr K was a Russian national (or at least a dual national) was based on his self-certification as such in his account application – it would seem to follow that if self-certification is the bar for IWeb's assessment of a client's nationality, his self-certification in 2023 that he was no longer Russian would have met the same requirement.

Putting things right

As I've said I think IWeb ought reasonably to have lifted the restriction on Mr K's account around July 2023. It's hard to quantify a financial loss as a result of this delay. I don't doubt Mr K's trading has been hampered by his inability to use IWeb's platform as he'd have wanted, and his need to open accounts elsewhere. But given the fact opening another account wouldn't have taken a particularly long time, and the uncertainty about what specific trades Mr K would have placed had he had access to his IWeb account sooner, I don't find on balance that there's likely to be a financial loss to remedy here.

I do think IWeb's actions have caused Mr K a reasonably significant degree of distress and inconvenience though. I say this mindful that, as I've dismissed Mr K's complaint about the original restriction, I'm not factoring that decision or the consequences of it into my assessment of what's fair and reasonable here. But by failing to respond and derestrict Mr K's account in 2023, I'm satisfied IWeb caused Mr K considerable distress at his statement of his nationality being questioned or not accepted, and considerable inconvenience at being unfairly denied full use of his account for what is now over 18 months.

Taking all this into account I agree with our investigator that fair compensation in the particular circumstances of this complaint would be for IWeb to remove the restriction on Mr K's account, and to pay him £750 compensation for the distress and inconvenience he's been caused.

My final decision

I uphold this complaint. I direct Halifax Share Dealing Limited trading as IWeb Share Dealing to remove the restriction it placed on Mr K's account as a result of it classifying him as a Russian national. And it must pay Mr K £750 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 21 March 2025.

Luke Gordon
Ombudsman