DRN-5375288

## The complaint

Mr L has complained about the actions taken by Financial Administration Services Limited ('Fidelity') in relation to one of his share holdings.

## What happened

Mr L had a self-invested personal pension ('SIPP') with Fidelity. Amongst his SIPP holdings were shares in a company which became subject to a takeover. I will refer to these as 'S shares'. On 11 October 2024 Fidelity was notified about a corporate action on S shares.

Fidelity has said that having reviewed this, on 16 October it sent a notification to customers with S shares about the corporate action. This explained that S shares held on 30 October would be cancelled, with each share receiving £0.60 cash and "*one Deferred Consideration Unit (DCU) which may deliver up to GBP0.07 per share in cash.*" Fidelity said that it could not support the DCUs on its platform and would therefore sell any holdings, but would not charge for this sale. Alternatively customers were told they could transfer their S shares to a provider which could hold the asset, but this would need to be completed before 24 October.

Mr L sent a message to Fidelity on 16 October saying that he had an account with another provider which could hold S shares, and he asked how he could arrange a transfer. Fidelity tried unsuccessfully to call Mr L on 17 October. On 18 October it sent him a message saying that to instruct the transfer, Mr L would first need to contact the new provider and clarify if it allowed for transfers in of part of another SIPP's holdings. If it did, Fidelity said that the other provider would need to submit a partial re-registration request.

On 21 October Fidelity received a 'discovery request' from the other provider to confirm what was held in the SIPP. On 22 October Fidelity confirmed to Mr L that it had completed due diligence checks, and it said that the transfer could proceed. However, on 28 October Fidelity sold Mr L's S shares at a price of 58.5p per share.

Mr L received notification of the sale on 29 October. He complained to Fidelity that it had sold his S shares rather than transferring them. In response Fidelity stated that because it had only received the transfer request from the other provider on 21 October, there was not sufficient time to complete the transfer before 24 October. It said that it had to be strict with the cut-off date because it was not going to be able to hold S shares on its platform and it needed to arrange a bulk sale of the remaining shares before the delisting came into effect. Fidelity commented that 58.5p per share was the best available price on 28 October.

Unhappy with Fidelity's stance, Mr L brought a complaint to this service. He said that he had followed the process for requesting a transfer as quickly as possible. He also said that the sale price had been below the value of 67p per share applicable to the takeover. Based on the takeover price, Mr L asked for redress of around £4,500 plus interest, and compensation for mistakes he said that Fidelity had made. Mr L also said that he'd incurred a fee for the sale of the shares.

Our investigator's view was that the transfer of the S shares to the other provider was not possible in the timeframe available, taking into account when Fidelity was notified about the

corporate action. In terms of the price that the shares were sold for by Fidelity, he said that this was the market price on the date that the shares needed to be sold by. The investigator also concluded that Fidelity had not charged dealing fees.

However the investigator considered that Fidelity had led Mr L to believe that the transfer would be possible before it sold the shares in both its written communications with him, and over the phone. The investigator's view was that Mr L's disappointment that the transfer of the shares had not been arranged before they were sold could have been avoided with clearer communication, and that this had caused Mr L unnecessary effort trying to sort out the transfer. To reflect the trouble Mr L had been caused, the investigator proposed that Fidelity should pay him £150 compensation.

Mr L disagreed with the investigator's assessment. He said that in communications with Fidelity, it had not explained that there was not long enough to arrange for a transfer of the S shares, and instead he'd been asked if he'd like to request a transfer. Mr L said that if he'd been given accurate information, he would have been able to make a different decision about the shares.

In particular, Mr L highlighted that on 22 October Fidelity had indicated the transfer was taking place. Had he been told the transfer was not possible, he said he could have arranged a sale of the shares himself, rather than been subject to a forced sale. Mr L commented that the sale had been done without his permission, when he believed the shares were being transferred. With clearer information about the prospects for the transfer, Mr L said that he would have been able to buy S shares elsewhere, if the market price was 58.5p. He said he would also have been able to choose the sale price, and the timing of the sale, rather than being subject to a block sale by Fidelity.

Fidelity responded to say that it considered it was appropriate for it to include the transfer option in its notification of the corporate action because this meant customers were fully aware of potential options available to them. It commented that it had clearly stated the deadline for completion of a transfer, and said the circumstances of some customers might have made a transfer possible. Fidelity said that Mr L had previously transferred assets away from it, and therefore reasonably knew that the first step was to contact the receiving provider for it to instruct a transfer or re-registration.

Fidelity referred to its product terms stating that SIPP re-registration takes 14 weeks on average to complete, due to its reliance on action by third parties. It also highlighted its term stating that where an investment was no longer supported on its platform, it could give notice that it would be sold. Fidelity said that it provided Mr L with an execution only service, meaning that it did not give advice, including in relation to transferring his shares to another provider. It did indicate it was willing to pay Mr L £150 compensation to resolve matters promptly, but later said that if this case was referred for review by an ombudsman, it would rescind that offer.

The investigator reiterated his view that Fidelity's communications with Mr L could have been clearer, and he still considered a compensation payment of £150 to reflect this was fair. But he did not think he could say whether Mr L would have been in a better or worse position financially if he'd tried to sell the S shares himself and bought them elsewhere. The investigator commented that Fidelity had confirmed to Mr L what the deadline was if he wished to avoid the shares being sold by the business. He remained of the opinion that Fidelity had acted fairly when selling the shares, and had done so in line with its product terms.

Mr L responded that sending standardised letters that are misleading is contrary to the Financial Conduct Authority's ('FCA') Consumer Duty. He said that it was not reasonable for

a business to include small print in its terms that allows it to sell an asset that it holds at any price it chooses, whilst at the same time sending communications to a customer indicating that their preferred course of action to retain that asset would be carried out. Mr L commented that under the corporate action, there was a clear cash and share offer for the S shares which had no other conditions. Whilst accepting that it was not possible to say exactly what he could have sold the shares for, Mr L said that he could have bought the shares held with Fidelity from himself using another account if he felt the price was too low and so was an opportunity to buy.

The complaint was referred for review by an ombudsman.

**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.

Fidelity first received notification about the corporate action on S shares on the afternoon of 11 October 2024. It sent a message to its customers including Mr L about it on 16 October. Taking into account there was an intervening weekend, and Fidelity needed to assess what the implications of the cash and share offer might be, in my view Fidelity told Mr L about the corporate action in a reasonable timescale.

The proposed takeover meant that existing S shares would be cancelled on 30 October. Fidelity explained that its platform could not hold the new DFUs that were to be issued, and so it would sell any S share holdings. It did say that customers could transfer the shares to a provider which could hold the new assets following the takeover, but this needed to be completed before 24 October. There was therefore in my view a significantly limited timeframe available to organise such a transfer. I accept that the timescale relating to the takeover was outside Fidelity's control.

Mr L is unhappy about the correspondence he had with Fidelity regarding the possibility of transferring the S shares, saying that he was led to believe that this could be completed within the given timescales. I also note what Mr L has said about the standardised letters he received from Fidelity going against the FCA's Consumer Duty, in particular because he says they were misleading. I have taken this into account when deciding what I consider to be fair and reasonable in the circumstances of this complaint.

In my view it was reasonable for Fidelity to let its customers know about the option of transferring the S shares in its 16 October message, on the basis that *some* customers might be able to arrange a transfer before 24 October – for example, because they'd already begun the transfer process.

However, like the investigator I consider that Fidelity could have been clearer in some of its later communications with Mr L regarding the likelihood of completing a transfer of the S shares before Fidelity sold them. Its message on 18 October explained the basics of the process for re-registering the shares with another provider, but by this date, there were only four working days before the transfer needed to be completed, according to Fidelity's previously outlined timescale.

Fidelity's letter on 22 October said that the transfer could proceed, but in my view Fidelity reasonably knew at this time that transferring the S shares before the deadline date could not realistically be achieved. Due to the correspondence Fidelity had sent, Mr L was not expecting to be told on 29 October that the shares had been sold.

Mr L has said that if he'd known the re-registration of the S shares to his other provider was not going to be completed before Fidelity sold them, he could have taken other actions that would have been more beneficial for him. One such action would have been for Mr L to have sold the shares himself, rather than them being part of the block sale Fidelity arranged. I note his comments, but it seems to me that it is not possible to say with any certainty whether a sale arranged individually by Mr L would have achieved a better sale price than Fidelity did.

Mr L has also suggested that he could have bought his Fidelity held shares via another of his accounts, potentially at an advantageous price if he felt the market price was low. However, my view is that by selling and buying the shares around the same time, there was the chance that this would have caused Mr L a loss due to the bid/offer spread and other dealing costs. Overall I'm not persuaded that it's been shown that, had Fidelity provided clearer information about the limited prospects that the S shares could be transferred before the deadline for sale, Mr L would now be in a better position financially.

Mr L has questioned Fidelity's sale of his shares without his permission. Fidelity's terms allow it to give notice that it will sell investments held on its platform that it no longer offers. In this case, it has explained that the terms of the takeover meant that it could no longer retain the S shares for Mr L. On balance I consider it was reasonable that Fidelity sold the shares in the way that it did.

However, as explained above, my view is that Fidelity should have been clearer with Mr L about the limited prospects that he could transfer the S shares before the deadline set for selling them. I consider this caused Mr L unnecessary inconvenience, as he took steps to arrange a transfer that was unlikely to succeed. Taking into account awards made by this service on cases with similar circumstances, I consider it fair that Fidelity pay Mr L £150 compensation in respect of distress and inconvenience caused to him.

## My final decision

My final decision is that I uphold this complaint in part, and require Financial Administration Services Limited to pay Mr L £150 compensation in respect of unnecessary distress and inconvenience caused to him.

I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 12 September 2025.

John Swain
**Ombudsman**