

The complaint

Mr B complains M&G Securities Limited ('M&G') didn't fairly allocate investment units to him after merging two of its investment funds. He says the unit prices it used to value the two funds were from different dates.

What happened

Mr B held units in an investment fund provided by M&G. On 26 September 2024 M&G wrote to him saying it would merge the fund with another of its investment funds. As part of explaining how that would affect Mr B it said the following:

'On the Effective Date, investors in the Merging Fund will be issued with New Shares in the Receiving Fund and their Shares in the Merging Fund will be cancelled. The number of New Shares you will receive is determined by a "Merger Factor", which is calculated taking into account the Merging Fund Value and the Receiving Fund Value on the Effective Date and the number of shares of each Share Class in issue. Investments are valued using the mid-market prices at midday or at the point of transfer if values move significantly ... As the net asset value (NAV) per share of the Merging Fund shares and Receiving Fund shares will not be the same you will not hold the same number of shares in the Receiving Fund as you did in the Merging Fund. However, the total value of the shares you receive as part of the Merger will be the same as that of the shares you held in the Merging Fund on the Effective Date.'

The effective date of the merger was Friday 22 November 2024.

Mr B called M&G after the merger and asked what share prices M&G had used. M&G told Mr B the 21 November unit price of the merging fund and the 22 November unit price of the receiving fund. Mr B asked whether M&G had used values from two different days. M&G said 21 November 2024 was date latest value it had for the merging fund because the fund ceased to exist after that date. Mr B said M&G had said it would value the funds on the same day. M&G said the market value of 22 November 2024 was the amount switched across. Mr B said if it had been valued on 22 November 2024 the merging fund would've increased in value in a similar way to the receiving fund which had risen by nearly 1%. M&G said it sold and switched units at the same time. Mr B said he couldn't understand it. So M&G raised a complaint. Mr B said he wanted to understand what had happened.

In reply to Mr B's complaint M&G apologised that its communication about the merger had confused Mr B. It said the calculation to merge the funds wasn't based on share price – rather, M&G ensured Mr B held the same value as he would've had if the merger hadn't happened. So the number of shares he held would be different after the merger.

Mr B referred his complaint to this service. He said M&G appeared not to have used the date for valuing both funds, despite saying it would do that. He said the value of his holding on 21 November was only a few pence different from the value of his holding the following day. But because the price of the receiving fund rose between 21 and 22 November 2024 he thought the value of his holding on 22 November 2024 should've been higher than it was.

He said M&G cost him £45 and caused distress and inconvenience because he worried and spent time working out what had happened. He wanted M&G to review what it had done and, if it had caused a financial loss, to pay compensation.

One of our Investigators looked into Mr B's complaint. She obtained information from M&G about prices of the funds on 21 and 22 November 2024 and Mr B's holdings. And she concluded that M&G had carried out the merger in the way it said it would. The investigator set out the number of shares Mr B had in the merging fund and the number he was allocated in the receiving fund, and the rounded and unrounded prices of both funds on both days. She said in its calculation M&G had used the 22 November 2024 unrounded share prices for both funds. And she set out the value of Mr B's holding before and after the merger, and said it was the same. So Mr B hadn't missed out financially. The investigator said it was understandable Mr B had been confused by how M&G had carried out the merger and that he'd wanted to understand what had happened. But there was nothing to show M&G had failed to carry out the merger in the way it said it would.

Mr B didn't agree with the investigator's view. In summary he said the following:

- The figures M&G had given to this service showed a decrease in the unit value of the merging fund between 21 and 22 November 2024. But the unit value of the receiving fund had increased in that same time.
- The two funds comprised similar asset classes and similar objectives and approaches. On the two other occasions in November 2024 when the receiving fund had experienced a significant increase in unit price, the merging fund had experienced a corresponding increase.
- If M&G had used the unrounded unit prices from 21 November 2024 then Mr B would've received an additional 19.401 shares which would've been worth £44.70 on that date.
- Mr B assumed that the reason the unit value of the merging fund didn't increase on 22 November 2024 was that M&G encashed assets in the fund ahead of the merger. He thought it would be classified, prior to the merger, the receiving fund benefited from market movements while the merging fund had been converted to cash.

The investigator told Mr B it wasn't the role of this service to change the way it implemented mergers – that was the role of the regulator, the Financial Conduct Authority (FCA).

Because no agreement could be reached, the complaint was passed to me to review afresh and make a decision.

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'm not upholding the complaint. I'll explain why.

The purpose of this decision is to set out my findings on what's fair and reasonable, and explain my reasons for reaching those findings, not to offer a point-by-point response to every submission made by the parties to the complaint. And so, while I've considered all the submissions by both parties, I've focussed here on the points I believe to be key to my decision on what's fair and reasonable in the circumstances.

M&G has provided evidence showing its calculation of the merger factor used unit prices of the two funds as of 22 November 2024 which was the effective date of the merger. This is in line with what it told Mr B it would do in its communication to him in September 2024. Accordingly, it was in line with what Mr B said he expected M&G to do. And I don't have a basis to say M&G ought not to have calculated the merger factor in that way.

In response to the investigator's view Mr B said he would've been better off if M&G had used unrounded unit values from 21 November 2024. But that wasn't M&G's policy for the merger, and it wasn't what M&G had said it would do. The fact Mr M could've benefited if M&G had done things differently doesn't mean M&G was wrong to do what it did.

The unrounded unit price for the merging fund did change between 21 and 22 November 2024. Mr B was clearly surprised that in that time it didn't increase in the same way the unit price of the receiving fund did. On that basis he speculated about whether M&G might have encashed investments in the merging fund on the day before the merger took effect. But the funds weren't the same. And if they'd experienced similar price movements in the recent past that didn't necessarily mean they would always experience similar price movements. And it remains the case that, for the merger, M&G used the unit prices for both funds as of 22 November 2024 which was what it said it would do – and which was what Mr B in his complaint to M&G said it should have done. So I'm not persuaded M&G has done anything wrong in the particular circumstances of this complaint.

Overall, I realise Mr B is unhappy with the outcome of the merger. But I don't find that M&G has treated him unfairly or unreasonably here. So I'm not asking M&G to do anything.

My final decision

For the reasons I've set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 October 2025.

Lucinda Puls
Ombudsman