

## The complaint

Miss L complains Interactive Investor Services Limited (IISL) has failed to provide her with information relating to the financial institutions it holds cash with on her behalf within her investment accounts. She says this is preventing her from mitigating the potential for any loss if an institution should fail.

## What happened

Miss L holds a number of investment and pension accounts with IISL. Within those accounts she holds balances of uninvested cash.

In September 2023, Miss L raised a query with IISL about the protection of the cash she holds. Specifically, she wanted to understand which financial institutions IISL holds her cash with. She is concerned about the implications of an institution she holds money with becoming insolvent and not having full protection from the Financial Services Compensation Scheme (FSCS). IISL declined to provide this information, so Miss L raised a complaint.

IISL responded to the complaint but didn't uphold it. In summary it said it classes information relating to which banks it uses as commercially sensitive. And it is a business decision not to provide customers with the names of the banks it uses.

I issued a provisional decision in March 2025. This is what I said:

*"IISL's position is that the details of the banking institutions it holds client money with is commercially sensitive information. It says it applies a prudent approach to the selection of institutions, carries out ongoing due diligence on any banks it holds client money with, and only places money with well capitalised institutions. It is also satisfied it has taken all necessary steps to ensure that there will be no foreseeable harm to Miss L.*

*I accept IISL is able to take commercial decisions on how it operates its business. And I acknowledge that it believes the actions it takes (including due diligence) means the banking institutions it uses are secure. It also points out there is no regulatory requirement under the Financial Conduct Authority (FCA) rules to disclose the specific banking institutions where client money is held. Although, from the information Miss L has provided, I note some other firms do provide this type of information to customers.*

*In my view, Miss L has provided a plausible explanation for holding cash in her investment accounts. She says she lost significant value in stocks and shares in a previous financial crisis. So, in the current investment climate she was again worried about market downturns, so sold stock and this has resulted in high cash balances in her accounts. She says she is not resting easy knowing that she has above the £85,000 FSCS protected limit with IISL, and this gives her even more reason to need to know which financial institutions it places her cash with as she could be at risk of losing a substantial amount of money.*

*The FCA has raised the issue of investment firms holding client cash balances. It has asked firms to consider their approach to inform customers of the protection limits provided by the FSCS. It has also identified the risk in the case of a bank failure, a client may find that they*

*are owed more than the compensation limit of £85,000 across all their protected deposits with that bank and may suffer a shortfall in recovery.*

*Having considered everything, I accept IISL doesn't have a regulatory requirement to disclose full details of the banking institutions it uses to hold client cash. I also acknowledge that Miss L is holding large cash balances for a significant period of time in products that are not intended for this purpose.*

*But for the reasons described above, I find she has provided a plausible explanation for holding cash in her investment accounts and is concerned about the risk to her savings. Despite IISL's view this risk is remote due to the prudent approach it takes in selecting the institutions it uses, I think there is potential harm Miss L is exposed to as a result of IISL's reluctance to give her any details of the banking institutions her cash is held with. So, I'm satisfied IISL has failed to provide the level of support required to help Miss L pursue her financial objectives.*

*I note IISL has said if Miss L is unhappy with the process not to disclose the specific institutions it holds her cash balances with, she has the option to transfer out without it charging any exit fees. But I'm conscious this will involve her being put to an inconvenience having to move her investment accounts to a new provider.*

*In conclusion, while Miss L has requested full details of the banking institutions IISL holds her uninvested cash with, I accept there is no regulatory requirement for it to disclose this information. But I don't think, in Miss L's specific circumstances, IISL has provided the level of support it should have to help her achieve her financial objectives. And its handling of her requests has caused her upset and left her worried about the risk to her savings not being protected. She has also spent considerable time trying to gain the information she needs and will have further hassle if she moves her funds to another platform (which will disclose where client cash is held)."*

Miss L responded to say she was disappointed with the outcome but did accept the provisional decision. She provided further comments to be considered. In summary she said:

- She doesn't understand what element of disclosing the requested information is "commercially sensitive" – nor has she seen any attempt on IISL's behalf to explain this.
- IISL say there is no FCA requirement to disclose where client funds are held. But she questions whether the Consumer Duty requirements need to be interpreted and applied to the situation. She specifically refers to the requirement to focus on customer outcomes, reasonableness and the consumer understanding outcome.

IISL responded too. In summary it said:

- IISL has never said it would provide details of where it holds client cash. Given this, it is unclear why a client would assume otherwise. Miss L independently opened her account without any promotional influence from IISL. Had she inquired about this information before opening her account, or reviewed IISL's terms and disclosures beforehand, she would have been aware that this information is not provided. Miss L's previous negative experience that resulted in financial loss, is unrelated to IISL. The absence of a regulatory requirement suggests that the FCA has not identified a sufficient risk of consumer harm that would necessitate a rule mandating disclosure. Making an exception for a single customer would introduce inconsistency and potential unfairness across the broader customer base.
- While some firms may choose to disclose this information, others do not. Each firm makes commercial decisions regarding what it considers appropriate for disclosure. If

IISL considers this information commercially sensitive, this position does not change based on whether the request comes from one customer or a thousand. If Miss L determines that another provider better suits her financial goals by offering the disclosure she seeks, she has the option to transfer her holdings at no additional cost. It is not reasonable to hold IISL responsible for any inconvenience associated with her personal choice to transfer.

- IISL responded to Miss L's inquiry without delay, so it is unclear what specific delays are being referenced. It requests clarification on what additional service failures justify the proposed increase to the compensation.

### **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've considered the responses I received to my provisional decision, alongside all of the other submissions made. Having done so, I haven't found reason to change the outcome I set out in my provisional conclusions. I'll explain why.

Miss L says she doesn't understand why disclosing the banking institutions it uses is considered commercially sensitive to IISL. Throughout our investigation, it has maintained a position that this is part of its policy, and it doesn't disclose this information to protect its commercial interests and maintain the integrity of its banking relationships. Beyond this high-level position, it hasn't explained in any detail the commercial risk that disclosure would present.

I acknowledge the points Miss L makes regarding the Consumer Duty in relation to the circumstances of her situation. And I understand why she relates this guidance to her complaint about the way IISL has dealt with her requests. In my view, the guidance around the level of support given to help her achieve her financial objectives is of particular relevance here.

I've taken the above points into account when deciding what I find to be fair and reasonable in the circumstances of this complaint.

IISL's position to not provide any information about the banking institutions it uses to Miss L, seems to be centred around three main points. These being, it never agreed to disclose information relating to the banking institutions, it considers this to be commercially sensitive information and there is no regulatory requirement for it to disclose.

In my consideration of the complaint, I've taken account of Miss L's specific circumstances and her need for further understanding of how her savings are protected.

This is where I have found IISL failed to provide the level of support it should. IISL's response to the provisional decision doesn't indicate it has placed sufficient weight on the interests of its customer's needs and providing the level of support and understanding Miss L requested and needed to pursue her financial objectives, and rather relies on there not being a specific requirement to disclose.

She has been clear why in her circumstances it was important for her to gain a better understanding of where her cash balances were held. IISL has given her little to help her make that judgement and therefore exposed her to potential harm.

While I've found there has been a failing, IISL say making an exception for Miss L would cause problems for consistency and potential unfairness across its broader customer base. But in my view, it should try and support its customers to the best it can, by taking into account individual circumstances. Here, I think there are ways IISL could have helped (which we put to it during our investigation) - for example simply confirming whether or not the banking institutions Miss L currently saves with are on its list, without the need to disclose the full list. This is particularly relevant because it could see in this case if there is a potential harm Miss L is exposed to.

IISL has suggested there is reference to it being responsible for delays. This isn't a finding that was made. I acknowledge it responded to Miss L's queries without delay. But the manner in which it responded, meant she didn't have her concerns satisfactorily answered, causing her to continue to pursue the matter. The compensation that has been suggested in the provisional decision is to recognise the impact of IISL's failure to provide Miss L with the support and understanding she needed, and the amount is in line with our approach to making awards of this type.

In conclusion, in Miss L's specific circumstances, IISL hasn't provided the level of support it should have to help her achieve her financial objectives. And its handling of her requests has caused her upset and left her worried about the risk to her savings not being protected, as well as material inconvenience.

### **Putting things right**

In resolution of this complaint, I direct IISL to:

- Pay Miss L £300 in compensation for the impact of the way her queries have been handled and the failings in the support given to help her to meet her financial objectives.
- Ensure that Miss L won't face any fees or deduction if she decides to move her savings elsewhere at this time.

### **My final decision**

I uphold this complaint and require Interactive Investor Services Limited to follow the direction set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 18 April 2025.

Daniel Little  
**Ombudsman**