

## The complaint

Mr H complains that Halifax Share Dealing Limited (“HSDL”) allowed him to open a stocks and shares ISA account when it knew he had a gambling addiction.

He wants HSDL to refund him the losses he made.

## What happened

Mr H previously had a stocks and shares ISA account with HSDL. He’d complained that HSDL had lifted his requested trading restriction on the account knowing that he had a gambling addiction. The complaint was referred to this service and an ombudsman decided it should be upheld. The account was closed in or around August 2022.

In January 2025, Mr H applied to open a new stocks and shares ISA account with HSDL and his application was accepted. He says HSDL knew he was a problem gambler but hadn’t put any safeguards in place to stop him opening and trading on a new account. He says he lost nearly £1,000 in a few days.

HSDL said Mr H hadn’t told it about his gambling addiction in relation to the new account. And it said there was no similarity with the circumstances of his previous complaint or the previous customer relationship.

Our investigator recommended that the complaint should be upheld. He concluded that HSDL should have recognised that Mr H had previously held an account and should have known there were restrictions on that account. He said HSDL should have stopped Mr H from opening a new account which would have prevented his losses. And he said other businesses with whom Mr H had accounts have taken steps to stop him opening accounts. He recommended HSDL reimbursed Mr H for losses incurred between 15 and 23 January 2025, plus interest at 8% simple per annum.

HSDL didn’t agree. It said other providers couldn’t block customers from opening accounts as Mr H had suggested and that it was unreasonable for this service to insist HSDL implements systems which are not used or viable in its industry.

## *My provisional decision*

I agreed with the investigator that the complaint should be upheld. But, as my reasons for upholding differed slightly from those set out by the investigator, and, because I was minded to change the compensation, I set out my conclusions in a provisional decision. I said:

In or around 2021/2022, Mr H had taken steps to control his addiction by asking for restrictions to be placed on his accounts. This included a stocks and shares ISA with HSDL. He asked HSDL to “*seal the account up*” so he couldn’t trade online. The account couldn’t be closed because it held a suspended security, but HSDL placed a block on the account. The block was removed a few days later when Mr H called and provided a password. He complained and, when HSDL didn’t uphold it, the complaint was referred to us. An ombudsman upheld the complaint. They decided that HSDL

hadn't done enough to protect Mr H and that its failure had caused Mr H harm. That account was closed in August 2022.

In January 2025, Mr H applied online to open a new stocks and shares ISA account with HSDL. He had a new postal address, but the rest of his personal information was the same as when he had previously held an account with HSDL. He was able to open the account and he quickly traded, and incurred losses in a short period.

As HSDL is aware from this service's decision about his previous complaint, the Financial Conduct Authority ("FCA") has published guidance for firms about how it expects businesses to act to avoid harm to vulnerable customers, who maybe at greater risk of harm if things go wrong. I've taken this into account in reaching my decision.

I'm satisfied HSDL was aware Mr H was vulnerable, in that he'd told it he had an addiction to gambling. His account had been closed to stop him placing trades – in other words, to prevent him from further harm. But by allowing Mr H to open another account, I find HSDL put him at risk from incurring harm by making trading losses.

More than two years had passed since Mr H closed his original account. But I'm satisfied from HSDL's Privacy Notice, that it keeps personal information *"for as long as you have a product or are using a service from us, and in most situations for up to 7 years after"*. And, whilst Mr H had moved home, the rest of his personal information, including his date of birth, national insurance number and telephone number were the same. HSDL has an obligation to know its customers and is required, under anti-money laundering regulations, to verify the identity of its clients. So I think HSDL ought to have known who Mr H was, and that the new account was being opened by the same individual who'd held the now closed account.

Had HSDL identified Mr H, it would have known his previous account was closed due to his gambling problem. Bearing in mind HSDL's obligation to avoid causing Mr H foreseeable harm and regulatory expectations that HSDL should respond to individual customers' needs and provide effective support, I find HSDL would reasonably have taken steps to ensure

Mr H wasn't putting himself at risk from further harm. Those steps may have included, but aren't limited to, establishing, Mr H's current circumstances in the light of his previous disclosure about his problem gambling and placing some restrictions on the account to help protect him; or not allowing Mr H to open the account at all.

Whilst Mr H told us that other businesses he's shared his personal information with won't allow him to open accounts, HSDL told us the providers it has approached can't block customers from opening accounts. But, as I've set out above, I've concluded HSDL should reasonably have taken steps to protect Mr H when he made a new account application, rather than necessarily automatically blocking him from opening an account.

I have taken into account HSDL's concerns about implementing systems which it says aren't viable. But, as our investigator has already explained, it's not our service's role to say what procedures and processes HSDL should have in place, that's the role of the regulator. Our role is to decide what is fair and reasonable in the individual circumstances of each complaint. And I've found in Mr H's case, HSDL should have known who he was when he applied to open the account, known that he had previously been vulnerable and it was – if not probable then at least possible – that he was still vulnerable. HSDL didn't do enough to establish that, or to help make sure Mr H didn't cause himself more harm if he remained vulnerable.

I understand the account remains open with a nil balance and that HSDL has put restrictions on the account to protect Mr H from further trading losses. Mr H may be comfortable to keep the account, with those restrictions, or he may wish to contact HSDL to instruct it to close the account.

And I set out what I thought HSDL needed to do to put things right. I said:

My aim is to put Mr H back in the position he'd be in now if he hadn't been able to trade on the account. He deposited a total of £1,049.25 in the account. After, he'd sold all the holdings he'd traded, he withdrew £391.74 cash from the account to leave a nil balance. I find it's fair and reasonable that HSDL should reimburse Mr H for the net loss he made - £657.51.

HSDL should add interest at 8% simple per annum to reflect that Mr H has been without that money. For the sake of simplicity, I think the interest should be calculated from the day Mr H made the first deposit to the account – 15 January 2025 - to the date of settlement. \*

HSDL's failures here caused Mr H distress and inconvenience. He made losses on trading in a short space of time. Taking his vulnerability into account, I think it's fair that HSDL pays Mr H £150 compensation for the distress caused.

### *Responses to my provisional decision*

Mr H agreed with my provisional decision.

HSDL didn't agree. It said, in summary, that:

- The provisional decision is contradictory – it concludes HSDL's systems should have been able to identify Mr H before he could invest, but it says the service can't say what systems HSDL should have in place.
- There isn't a feasible way of preventing an individual opening a new account online – and other providers across the industry are in the same position. It may be beyond this service's jurisdiction to insist on this, and puts the industry at risk of being taken advantage of by individuals like Mr H.

### **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.

As I explained in my provisional decision, Mr H was, and is, vulnerable. And he had shared that information with HSDL. So I find HSDL ought to have been aware that Mr H was vulnerable, because of his addiction.

Regulations and legislation, such as anti-money laundering requirements, place an obligation on HSDL to know who an individual is when they apply for an account. Had HSDL fulfilled their obligations effectively, I find they would reasonably have known that the person applying for the stocks and shares ISA account was the same individual who'd held an account with it before.

The FCA guidance to firms expects HSDL to be able to identify customers, and potential

customers, who have a vulnerability. HSDL was aware of Mr H's vulnerability as it had marked or flagged his old account. I find this should have been picked up when Mr H applied for the new account – particularly bearing in mind the circumstances which led to his previous account being closed.

My role is not to tell HSDL how it should have done this. My role is to decide what is fair and reasonable in the individual circumstances of this complaint. HSDL says its systems couldn't make this link. But it's not shown me persuasive evidence of why this link couldn't be made.

On balance, I find no reason to depart from my earlier conclusion. I think HSDL should reasonably have known about Mr H's previous account and his vulnerability when he applied for the second account. And that it then should have put measures in place to prevent him from incurring further harm. It failed to do this and Mr H incurred losses, and distress, as a result.

### **My final decision**

My final decision is that I uphold this complaint. Halifax Share Dealing Limited should:

1. Reimburse Mr H for the net loss he made - £657.51.
2. HSDL should add interest at 8% simple per annum to reflect that Mr H has been without that money. For the sake of simplicity, the interest should be calculated from the day Mr H made the first deposit to the account – 15 January 2025 - to the date of settlement.  
\*
3. Pay Mr H £150 compensation for the distress caused.

\* HM Revenue & Customs requires Halifax Share Dealing Limited to take off tax from this interest. Halifax Share Dealing Limited must give Mr H a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 June 2025.

Elizabeth Dawes  
**Ombudsman**