

The complaint

Mr I complains that Interactive Brokers (U.K.) Limited (IB) didn't do enough to help him convert some American Depositary Receipts (ADRs) he held into direct holdings in the underlying shares. He says as a result he's lost out on dividends, as well as the opportunity to sell his shares.

What happened

Mr I held some ADRs in a company I'll call G, through his account with IB. These ADRs were certificates, traded in the UK, each of which represented a share in G. The actual G shares are held and traded in Russia. The ADRs were and are held through a depository, in this case a bank I'll call B.

In 2022, as part of a range of sanctions against Russia and Russian companies, G's ADRs were suspended from trading on the London Stock Exchange. Mr I continued to hold them in his IB account, but for all intents and purposes couldn't do anything with them.

In 2024, B announced that it was – for a limited period – able to facilitate the cancellation of ADRs in G. ADR holders who were able to receive corresponding G shares were able to apply to have the ADRs converted, and the G shares deposited with a Russian bank or financial institution. This conversion “window” opened on 22 August 2024, and was set to close on 20 September 2024.

Mr I wrote to IB on 25 August 2024, asking to convert his ADRs in G. IB asked for some more information, and Mr I submitted the relevant forms on 29 August. IB's back office refused the application on 4 September, saying one of the forms wasn't signed. Mr I returned the signed form the following day. On 12 September, IB again declined Mr I's application. This time it said that the bank he'd selected to send the G shares to (which I'll call H) was also subject to UK sanctions, and so IB couldn't facilitate a conversion which would end up with the shares being held with H. The following day Mr I again re-submitted his application, this time specifying a different bank, A, into which he wanted his G shares depositing.

Mr I's ADRs weren't converted by the deadline of 20 September 2024, and he complained. He said he'd lost out on being able to sell his G shares. And he said had he received G shares, he'd have been able to claim over £1,000 worth of dividends paid by G which he couldn't claim while holding the ADRs. IB didn't uphold his complaint. While it acknowledged it had been slow to respond to Mr I on occasion, it said it ultimately hadn't had enough time to process Mr I's application once it received an actionable form on 13 September. It said it couldn't guarantee it would be able to process Mr I's request, and had made its best efforts to do so.

Mr I brought his complaint to our service, where it was considered by one of our investigators. In summary, across two assessments of Mr I's complaint, she said:

- When IB first evaluated Mr I's application, it ought to have picked up that he wouldn't be able to proceed with the nominated bank of H as the end depository. It wasn't reasonable for it to only tell Mr I about the lack of signature the first time, and then

- highlight the issue with H only after a second submission.
- Given the nature of the requirement – to review Mr I's forms and send them to B – it wasn't reasonable that IB couldn't process Mr I's application in a week between 13 September 2024 and the deadline of 20 September 2024.
- So she thought Mr I had been unfairly deprived of the opportunity to convert his ADRs into G shares.
- But she didn't think Mr I had suffered a financial loss as a result. She wasn't persuaded the dividends paid by G would have been reclaimable by Mr I even if he'd converted the ADRs in September 2024. And she didn't think there was persuasive evidence of what Mr I would have done with the shares that meant there was a loss, other than the loss of opportunity to do what Mr I wanted with them.
- In light of that loss of opportunity and the distress caused to Mr I by failing to convert his ADRs, the investigator thought IB should pay him £500 compensation.

IB agreed with the investigator's recommendation. But Mr I didn't. He maintained that he should be in possession of shares worth around £3,500, but instead had worthless ADRs he couldn't sell. And he said that under the terms of the ADR cancellation scheme, investors who converted to G shares could reclaim dividends for up to three years. He said that there were over £1,000 of dividends which had been paid more than three years ago, and so even if he could convert his ADRs at some point in the future, he'd been denied the opportunity to reclaim those dividends, which he could have done had his ADRs converted in September 2024.

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've reached the same conclusions as our investigator and for broadly the same reasons.

Under COBS 2.1.1R, IB needed to "*act honestly, fairly and professionally in accordance with the best interests of its client*". I agree with our investigator that IB didn't treat Mr I fairly or act in his best interests in the way it processed his application to convert his ADRs to G shares.

I don't think it's reasonable to expect firms to action things immediately – even given the relatively short timescale for the conversion here. So I don't think it's wrong that IB took five days to give its initial review of Mr I's application. But I think it was in Mr I's interests to know what he'd need to do in order to have his application approved – and so he could address any issues as quickly as possible. I don't think IB acted fairly by only telling him he was missing a signature, and failing to identify the issue with his selected depositary bank until it assessed his application a second time.

I also agree with our investigator that IB hasn't given a reasonable expectation why it wasn't able to process Mr I's correct application within the seven days it had before the ADR scheme deadline expired.

So I don't think IB treated Mr I fairly. But the crux of this complaint is about how to put that right.

Putting things right

Putting things right here means thinking about what would have happened but for the issues highlighted above. So I have to say what I think, on balance, is more likely than not to have

happened.

The issues here all relate to delay – IB's job here was ultimately to submit an application on Mr I's behalf to B, because IB held Mr I's ADRs and so Mr I couldn't contact B directly himself.

I think that had things gone as they should have done, IB would have submitted that application before 20 September 2024. But I don't know for sure whether B would have accepted the application – or whether it would have processed the conversion of Mr I's ADRs in time had it received his application sooner.

There's then the question of what Mr I could have done had he received G shares in September 2024, and whether there's a loss to compensate there.

While Mr I would have shares, given the still existing sanctions and overall difficulty in transacting across borders between the UK and Russia, I think there's some reasonable doubt as to whether he'd in fact be able to sell those shares and redeem value for them, if that's what he wanted to do. And I note that he does retain his ADRs. While currently he isn't able to trade them, they still reflect the same beneficial ownership of a stake in G as G shares themselves do. So I don't think it would be fair for Mr I to be paid a sum of money which was reflective of his holding in G whilst retaining his G ADRs. Mr I has, however, clearly lost the potential opportunity to do something with his shares for such a period of time as elapses before his ADRs are able to be traded or converted again (if that ever happens).

I've also thought about what Mr I has said about dividends. G paid a dividend in 2022. But this wasn't paid to ADR holders. Mr I says that he would be able to reclaim dividends for the last three years if he was to have actual G shares rather than the ADRs. And I note that G's website, when detailing the ADR conversion, says *"After the receipts are converted into shares, the holders of securities have a right to claim unpaid dividends"*.

So it's possible Mr I may have been able to claim the 2022 dividend, had he received G shares in September 2024. But it isn't clear to me that G was talking about dividends which were unpaid during the period someone held ADRs, or unpaid dividends from the time they were converted into G shares. And it's also not clear whether the 2022 dividend was paid to the legal owner of the shares at that time (whether that was the depositary B or someone else).

Taking all this into account, I'm not persuaded there's a quantifiable financial loss that flows from what IB did wrong here. Given the uncertainty over whether, had IB done its part sooner, B would in any event have carried out the conversion, and the uncertainty of whether Mr I would have been able to successfully trade his shares or claim dividends, on balance I think it's more likely than not that IB caused a delay but this didn't result in a direct financial loss.

However, like our investigator I agree that Mr I has been caused a large degree of distress, and inconvenience by this uncertainty and the delays IB caused. I agree that £500 is fair compensation for that.

My final decision

My final decision is that Interactive Brokers (U.K.) Limited must pay Mr I £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 11 July 2025.

Luke Gordon
Ombudsman