

The complaint

Mr J complains about Vanguard Asset Management, Ltd (Vanguard). He said Vanguard delayed the transfer of his investments held within a stocks and shares ISA. He said Vanguard caused him financial detriment and he would like it to compensate him for this.

What happened

Mr J had a stocks and shares ISA with Vanguard. On 6 March 2024 he put in a request with a third party, T212 to transfer all of his investments held with Vanguard to it. He requested his funds be transferred 'in specie', meaning they would be transferred from one ISA to the other, without the need for any funds to be liquidated.

On 15 March 2024, Vanguard sold one of his investments as the third party did not allow that investment on its platform. He received a contract note on 18 March 2024 confirming that all units in his Sterling Short Term Money Market Fund had been sold.

There was a delay, and Mr J's transfer request was not completed by the parties until 28 May 2024. The transfer took longer than expected and because of this Mr J complained to Vanguard.

Vanguard agreed the transfer took longer than it should have, and offered Mr J £50 compensation for the distress and inconvenience it said it caused him. Mr J said Vanguard also caused him financial detriment. He said it should pay him for lost interest as it sold his fund too soon, held onto his cash and then delayed the transfer.

An investigator looked into Mr J's complaint. She said there was no evidence the short-term money fund was sold down by Vanguard without Mr J's consent. She said the transfer overall should have taken place by 1 May 2024, but did not complete until 28 May 2024. She concluded the third party T212, paid 5.2% interest on cash balances, as opposed to Vanguard's 2.6%. So, she said Vanguard should pay the difference in interest, for the 27 days that it delayed the transfer. She said this amounted to £95.89. She also suggested Vanguard pay £150 for the distress and inconvenience it caused, so an additional £100 to the £50 it had already paid.

Mr J was not in agreement with the investigator's view and made the following points:

- Vanguard should have been paying interest at a higher rate from the date it sold his fund down, this being 15 March 2024 up to the point his cash was transferred. He calculated this came to £272.91. He said this is what he would have received if the fund wasn't sold prematurely, and the delay did not happen.
- The money market fund in quest was very liquid and there was no necessity to sell it 75 days prior to the transfer.
- He did not initiate the sale of the fund himself. Vanguard did not notify him of the sale in advance so he could challenge or reverse it, to reduce his loss.

- He felt Vanguard should pay interest on top of the interest payment he had calculated due to him being denied use of the money. He said there were also ISA allowance implications as any award made was not tax efficient.

There was further discussion between the investigator and Mr J. He reiterated that he was looking for a payment for loss of the fund yield that he would have received. He said this fund was prematurely sold down and this created his financial loss, as he didn't receive the fund yield. He said he should receive interest on top of this, as he had been denied use of this money.

I issued a provisional decision on this complaint on 2 June 2025. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

"The crux of Mr J's complaint is that he believes Vanguard prematurely sold one of his funds, without his consent. He said this led to there being an unnecessary delay of 75 days from the date of his instruction to the date the transfer was concluded between the parties. He said he has made financial losses as he wasn't paid the fund's yield during this time. He has also made a number of other arguments about his loss. I have looked into all of this.

The sale of Mr J's Sterling Short Term Money Market Fund

Mr J put in a request with his new provider, T212, to transfer out all of the funds he held in his stocks and shares ISA held with Vanguard. T212 were able to receive his funds 'in specie', except one, the short-term money market fund. So, to be clear T212 were unable to receive this fund, and Vanguard couldn't transfer it over.

Mr J said he didn't give his consent, for Vanguard to sell the fund to cash, but I think he did when he put in his request to transfer his funds over to a new provider. I have looked into terms and conditions associated with the Vanguard stocks and shares ISA. I have read through these and can see in its section 'transfers out', Vanguard addressed the issue. It stated that if it couldn't directly transfer out any of the funds in question, it would sell the remaining funds and transfer out cash proceeds to the new ISA manager. On reading this, I think this was a clear term, that described what Vanguard would do in this instance.

With this in mind, I think Vanguard was acting within the terms and conditions of Mr J's ISA account. I don't think it did anything unusual by doing what it did, and it is not uncommon for an ISA provider to need to sell a fund, if the receiving party, in this case T212 is unable to hold the fund in question. So, on reading this term and looking at what happened here, I don't think Vanguard made any mistakes when it decided it had to sell Mr J's short term money fund.

Mr J said Vanguard should have notified him before it sold his fund. I think Vanguard would have provided a good service to Mr J if it had done this. That said, I don't think it was under any obligations to do so. Once it had received Mr J's instruction, it was only going to do one thing: sell the fund, as it had prescribed in its terms, and again I don't think it was wrong to do so.

This leads me to Mr J's main complaint point; he said Vanguard sold his fund prematurely. He made the point that Vanguard could have sold his fund a lot later on, at the same sort of time that it made the in-specie transfers. I think Mr J makes a good point here.

I looked through the timeline that Vanguard provided, and it authorised the sale of Mr J's short term money fund on 15 March 2024, but didn't as far as I can see, authorise the in-specie transfer until 25 March 2024. So, there were 10 calendar days where Vanguard had

sold Mr J's fund and hadn't started the transfer of his other fund. I don't think Vanguard were fair to do this and take Mr J's money out of the market during this period. I think it was responsible for causing part of the delay by it doing this.

But Vanguard's involvement in the delay doesn't stop there. Once it authorised the in-specie transfer, a much longer delay occurred, and I looked into this as well. I can see Vanguard was involved with the third party T212 with a delayed in-specie transfer, further adding time that Mr J was out of the market.

I looked again at the terms and conditions and can see Vanguard has been clear about how long a stocks and shares ISA transfer should take, this being 30 calendar days. This also coincides with the HMRC guidance about this. So, I think it is fair to say there would have been some expectations from Mr J that Vanguard would carry out this transfer within that time frame, seen as it stated this within its terms and the Government guidelines advise that it should carry out the transfer within that time frame also.

Mr J has suggested Vanguard ought to have transferred his cash as soon as it sold it down but I think with what I have just said in mind, I think it would be fair and reasonable for Mr J to expect some disruption to the income he received from the fund that needed to be sold down, and for the transfer of his funds to take some time to be carried out. That said, there has clearly been a delay here and I have gone on to consider this further.

The delay

Mr J put his transfer instruction in on 6 March 2024 and the transfer completed with the transfer of cash on 28 May 2024. So, there was clearly a delay.

Vanguard has suggested it contributed 17 business days to this delay for mistakes it admitted it made. I have asked Vanguard about the remaining days of delay and what happened. I have not been able to get a clear idea about this, other than to read on its spreadsheet that either it thought it was a delay caused by T212 or, at the least, not by it.

I would like to thank Vanguard for the timeline it produced and for taking ownership for some of the delay that happened here, but by doing this, it doesn't automatically mean, it was not responsible for the other periods of delay as well. I've not seen enough evidence that shows me, that it wasn't, that it was another party that caused this or any other external factor. For example, there are periods of time where Vanguard didn't chase up the transfer or do anything to move things along. I think there are times when it ought to have done more, especially when I consider what it had stated in its terms that it would carry out this transfer within 30 days.

I think based on what I have in front of me, and what I have just found, that Vanguard ought to have carried out all parts of this transfer by 5 April 2024. I've not seen enough, to conclude it would be fair and reasonable for this transfer to have been carried out any later than this date.

I currently conclude therefore, that Mr J should have received his in-specie fund transfer and crucially his cash by this date in his T212 account. I think it could have initiated the in-specie transfer sooner than it did, to coincide with when it sold down his fund. I also think it ought to have taken reasonable steps to move things along in a timely manner with the counter party too. It also made mistakes that it has already taken ownership for. I think therefore, Vanguard is responsible for a delay from 5 April 2024 to 28 May 2024, and it should put things right in relation to this.

Putting things right

Vanguard should put Mr J back into a position he would have been in, but for the delay I have just concluded it was responsible for. Therefore, it should look to ensure Mr J was not financially disadvantaged by the delay, and I also think it has caused him distress and inconvenience so should make a payment in relation to this too, above what it has already paid.

Financial loss

To date, Mr J has been comparing the yield on the fund that Vanguard had to sell down. I don't think it would be fair for Vanguard to use this, as I don't think it was wrong of it to sell this fund.

That said, it was responsible for a delay to this transfer between the dates I've already mentioned. Vanguard has been in contact with T212, and it told it that Mr J did not use his cash for investments once it was transferred over to it. Therefore, it stands to reason that if Mr J had received his money earlier, on 5 April 2024, then he would have received the higher rate of interest that T212 was paying at that time. Again, Vanguard has told our service that T212 paid a rate of interest during that period of time at 5.2% per annum. Vanguard on the other hand was paying a rate of 2.6% per annum. So, a fair way to put things right, would be if Vanguard paid the difference in interest for the days I think it delayed Mr J's transfer.

Distress and inconvenience

Vanguard has caused Mr J distress and inconvenience here and did so over several weeks. I can see how stressful this would have been for him, to try and resolve matters. I agree with the award the investigator has suggested, and currently think Vanguard should pay Mr J £150, this being an additional £100 over the £50 it has already paid him.

Other issues

Mr J has raised two other concerns these being that he thinks he should be paid interest on his loss and also about the tax efficiency of any loss he incurred.

Firstly, I have awarded an interest payment, that covers the difference between what he was paid, and what he should have received, but for the delay. This award covers Mr J's loss. He wasn't for example, denied the use of his money during this period, which would be a reason why I would in other circumstances consider an additional interest award. This is because his money would in this scenario have been in his account earning interest. In short, my award puts things right for Mr J and I don't think Vanguard needs to do anything else here.

Secondly, I do take Mr J's point about tax efficiency, after all, but for the delay, the additional interest would be in his ISA. That said, I asked Mr J recently if he could put the award back into his ISA, using his current year's allowance therefore negating any loss, and without receiving a response, I am currently of a view that he can do this."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision.

Mr J responded on 2 June 2025. He said he agreed with the findings of my provisional decision but had two outstanding issues. He said:

- He had already used up his ISA allowance for the year and he was an additional rate taxpayer. It was not possible for him to put the interest back in himself, this

tax year.

- He felt he should be able to claim interest on the financial loss he had incurred.

Vanguard responded on 4 June 2025 and said although it was not in full agreement. It would accept findings to resolve Mr J's complaint. It then calculated what the compensation would be, in accordance with what I said in my provisional decision.

I went back to Mr J and asked him when he would be able to put the financial loss he incurred back into his ISA. He provided evidence to our service that he was unable to put the money back into his ISA this year and said he had enough in his general investment account to cover the next six years' worth of his allowance for his ISA.

I felt Mr J had made some valid points about a possible loss of tax efficiency and an interest payment. So, I went back to both parties to explain what I was proposing to amend regarding how Vanguard could put things right.

I sent an email to both parties about this on 17 June 2025. I said:

"There are two issues that Mr J has raised, and I think he has a point on both counts. He has raised the issue of being denied use of the interest payment (the £188.23 money award that Vanguard has calculated). I think this is a fair point to make and I am going to award interest at 8% simple from 28 May 2024 (the date of the transfer) to the date of settlement on the money award. So, 8% of £188.23 for this period of time. He has been denied the use of this money, so I think this is fair enough.

Secondly, Mr J has now said he is unable to put the money (£188.23) back into his T212 ISA for this year because he has used the allowance already. I asked him for proof of this, and he duly provided it. He has also said he is an additional rate taxpayer (45%) and has enough money in his GIA account to pay his allowance for the next 6 years, and this is what he plans to do. So, with this in mind, I need to consider his loss of tax efficiency on the money award £188.23+8% simple. I think it's fair that Vanguard pay compensation for this too, on the assumption that T212 will be unable to replace the money award back in Mr J's ISA (let me know however if it is able to).

The equation that I think is fair in Mr J's circumstances (and is also our service's approach in circumstances such as these) is as follows: The Money Award (interest payment from 5th April 2024 to 28 May 2024 plus 8% simple) x 5.2% (interest rate) x 45% Mr J's additional tax rate x 6 years (the amount of time money will be kept outside of an ISA).

When Vanguard calculates the amounts here, for the interest payment on the money award, and then the payment for loss of tax efficiency, both are modest amounts - but I think it is a fair and reasonable way to resolve this complaint."

Mr J has not responded to the email our service sent him on 17 June 2025. Vanguard responded on 18 June 2025 and said it was able to make an interest payment on the financial loss Mr J had incurred, along with what I had proposed in my provisional decision. Vanguard added though that it should be able to make the payment for financial loss directly to T212, for it to make a correction / adjustment in his ISA, negating the need for it to make a payment for the loss of tax efficiency.

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.

Mr J agreed with the findings I made on the merits of his complaint, and although Vanguard are not in full agreement it said it would accept them. So, as this is the case, I now no longer need to consider whether Vanguard were responsible for the delay or not. It has been agreed by all parties, that Vanguard will put things right as I have described in my provisional decision. All that is left for me to decide upon is how Vanguard will do this.

I have taken on board what Vanguard has said, in response to my message about this to the parties on 17 June 2025. If Vanguard are able to send the financial loss part of the compensation directly to T212, for it to then correct Mr J's ISA, then that does negate the need for it to consider Mr J's loss due to tax efficiency.

All that is left in Mr J's complaint now, is for Vanguard to put things right.

Putting things right

I think Vanguard should do the following to put things right:

- Pay 5.2% interest per annum (T212 interest rate on uninvested cash) minus 2.6% interest per annum (Vanguard interest rate on cash balance) for the delay this being 5 April 2024 to 28 May 2024.
- pay 8% simple interest*, per year, on the financial loss Mr J incurred as calculated above from the respective date of loss to the date of settlement.
- Pay the total amount of Mr J's financial loss plus interest, to his current ISA provider, so that this amount can be added to his ISA, as a correction / adjustment.
- If his current ISA provider cannot make a correction, then Vanguard should make the payment directly to Mr J but also include a payment for a loss in tax efficiency. Mr J is an additional tax rate earner and wouldn't be able to put the money back into his ISA for 6 years. Vanguard should take this into consideration when it calculates his loss in tax efficiency.
- Vanguard should use the following equation when calculating his tax efficiency loss if it can't arrange for the financial loss payment to be paid back into Mr J's ISA: The money award (the total amount from the first two bullet points) x 5.2% (interest rate) x 45% Mr J's additional tax rate x 6 years (the amount of time money would be kept outside of an ISA).
- Pay £150 for the distress and inconvenience caused, minus the £50 it has already paid. It should pay this amount directly to Mr J.

*If Vanguard deducts tax in relation to the interest element of this award it should provide Mr J with the appropriate tax deduction certificate.

My final decision

My final decision is that I uphold Mr J's complaint about Vanguard Asset Management, Ltd. I direct Vanguard Asset Management, Ltd to put things right as I have described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 24 July 2025.

Mark Richardson
Ombudsman