DRN-5636345

The complaint

Mrs C was the victim of a scam in which fraudsters accessed and sold shares from her Halifax Share Dealing Limited (HSDL) account. She complains HSDL's actions allowed this to occur.

Mrs C is represented by her husband but for ease, I'll refer to those actions being Mrs C's throughout.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

Mrs C has been a customer of HSDL since 2020. In January 2024, Mrs C was the victim of fraud of which HSDL was aware. Starting on 13 March 2024, over a period of days, Mrs C's share account details including bank account, contact number and email address were changed. Six days later, on 19 March 2024, shares worth just over £4,800 were sold, followed by shares worth over £38,000 on 26 March 2024.

On 9 April 2024, Mrs C alerted HSDL about suspicious activity on her account. Around £41,500 had been stolen by the fraudsters. The account was restricted, and HSDL was able to recover close to £18,000. During its investigation into the matter, HSDL stated that the fraud was not due to any flaws in its system but, in good faith, reinstated Mrs C's position fully before the unauthorised activity occurred.

Unhappy that the fraud was allowed to take place, Mrs C referred the matter to our service. An investigator looked into the matter and concluded that HSDL had fallen short of its obligations. He explained that although he was pleased to see Mrs C's shares reinstated, HSDL needed to pay compensation for the distress and inconvenience its overall handling of the situation caused. The investigator recommended that HSDL compensate Mrs C £250. Mrs C agreed to settle the complaint in line with the investigator's recommendations however, HSDL didn't agree.

As the matter remains unresolved, the case has been passed to me for 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.

HSDL is authorised and regulated by the Financial Conduct Authority. As a regulated business, HSDL has a number of obligations to its customers such as Mrs C when managing their assets. These duties encompass:

PRIN 2.1.1 R

> *'(2) Firms must operate with appropriate skill, care and diligence…*

(6) Firms must give proper consideration to customers' interests and ensure fair treatment…
(
10) Firms must establish suitable safeguards for client assets under their control…'

COBS 2.1.1 R

'Firms must operate honestly, fairly and professionally, prioritizing their client's best interests…'

SYSC 3.2.6 R

'Firms must exercise reasonable care in creating and maintaining robust systems and controls to ensure regulatory compliance and to minimize the risk of facilitating financial crime.'

The regulations define *'financial crime'* as:

'…any criminal activity connected to money, financial services or markets, including offences involving:

(a) fraud or dishonesty…'

HSDL is supported in its delivery of these obligations by its terms and conditions, which Mrs C accepted at the outset of opening her account. Within these terms HSDL has the right to suspend all or part of its service where it considers it necessary *"for maintenance; technical problems; regulatory reasons; or for its protection."*

These obligations have informed my consideration of Mrs C's complaint. Additionally, I've taken account of my authority under DISP 3.6.4 R, which permits me to evaluate what constituted *'good industry practice at the relevant time'* where appropriate.

I've therefore examined the 2017 publication, BSI: PAS 17271: 2017 *'Protecting customers from financial harm as result of fraud or financial abuse'*. This document, created collaboratively by multiple banks and trade associations, advises firms to identify and prevent transactions—especially those that are unusual or uncharacteristic—that may indicate fraud.

The publication states its contents and recommendations apply to any firm managing money or assets for UK consumers. While I cannot confirm HSDL's adoption of this document or whether it reviewed the contents directly, the standards outlined represent what I believe was already established good industry practice by October 2017, particularly regarding fraud prevention. In my view, it therefore, serves as a baseline for minimum industry standards today.

The document's key recommendations include:

- Firms should put systems in place to identify suspicious account activity patterns and requests that may signal fraud.

- Indicators of suspicious activity include logins from unfamiliar devices, requests to modify contact information, and transactions that could result in customer fund loss.

- Firms should be particularly careful with requests to change personal details like email addresses and should verify the identity of those making such requests.

Overall, I believe that at the time of these events, HSDL had a clear responsibility to put in place and maintain systems to detect and reduce Mrs C's fraud risk. More specifically, HSDL should have monitored her account for signs of suspicious activity, so that it could properly exercise its right to restrict account access when protection was necessary.

HSDL was already aware that Mrs C had fallen victim to fraud earlier in 2024. Despite this knowledge, beginning on 13 March 2024, the account underwent a series of changes over just a few days: the email address, bank details, and contact numbers were all altered. Following these modifications, shares valued at just over £4,800 were sold on 19 March 2024, with a further sale of shares worth over £38,000 occurring on 26 March 2024. The total amount fraudulently liquidated exceeded £41,500.

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I acknowledge that HSDL has stated its *“security measures continue to satisfy the Regulator’s regular audits and its work in combatting financial crime and the infrastructure is has created to do so is leading in the industry.”* It's not my role to assess the design of those systems, nevertheless, I would reasonably have expected it to detect this pattern of activity. As HSDL failed to do so, the fraud was able to proceed. I recognise that HSDL has since rectified the financial position by refunding the amount it couldn't recover from the receiving bank, which is a positive step. However, by failing to protect Mrs C’s funds, HSDL caused her distress and inconvenience, and it's this impact that the compensation award is intended to address.

HSDL's submissions haven’t persuaded me that it’s fully understood or recognised the impact its service had on Mrs C at this stressful and upsetting time. In the circumstances, I think an award of £250 fairly addresses the distress and inconvenience HSDL has caused Mrs C in its handling of this matter. For this reason, I uphold the complaint and direct HSDL to compensate her £250.

My final decision

For the reasons given, I uphold Mrs Cs’ complaint about Halifax Share Dealing Limited, and it should put the matter right as outlined above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs C to accept or reject my decision before 22 December 2025.

Farzana Miah
Ombudsman