

## The complaint

Mr S complains that Interactive Brokers (UK) Limited ('IBUK') failed to credit his trading account with shares that he states he purchased during a rights issue.

## What happened

In December 2018, Mr S opened a share trading account with IBUK. A timeline of the events relevant to Mr S's complaint is as follows:

- On 28 January 2025 (the record date for Pennon's rights issue), Mr S's IBUK was long 7,000 shares of Pennon Group plc.
- On 29 January 2025, Pennon Group plc announced a proposed capital raise of approximately £490 million by way of a fully underwritten rights issue. Pennon planned to issue new ordinary shares at 264 pence, on the basis of 13 for every 20 existing ordinary shares. The rights issue subscription price represented a 35.2% discount to the theoretical ex-rights price, based on the closing price of 500.81 pence per ordinary share on 28 January 2025.
- On 3 February 2025, Mr S received 4,550 shares of Pennon renounceable rights, which traded on the London Stock Exchange under the ticker symbol PNNN. On the same day, IBUK sent Mr S a notification through their Client Portal entitled: "*PNN Corporate Action: Decision Required*" which informed him that Pennon had initiated a rights issue and included a link for Mr S to make his required election prior to the subscription period expiring.
- On 7 February 2025, Mr S submitted a limit order to purchase 27,000 additional shares of PNNN (i.e., the nil-paid rights) at a trade price of 181 pence per unit.
- On 10 February 2025, Mr S submitted a further limit order to purchase 990 additional shares of PNNN (i.e., the nil-paid rights) at a trade price of 181 pence per unit. Following the execution of those two trades, Mr S's position in PNNN was long 32,540 shares and his position in PNN remained long 7,000 shares.
- On the same day, IBUK sent Mr S a further reminder via their Client Portal and also by email, that his account had shares eligible to participate in Pennon's rights issue and reminded him of the impending deadline.
- On 13 February 2025, the subscription period for the Pennon rights issue expired without Mr S having made any election with respect to the 32,540 shares of PNNN in his IBUK account.
- On 18 February 2025, Pennon announced that the rights issue closed with shareholders buying 93% of the new ordinary shares. Pennon also announced that, in accordance with their obligations as underwriters, they would find subscribers for the remaining new

ordinary shares not taken up by qualifying shareholders at the subscription price, failing which the underwriters agreed to subscribe themselves for any remaining new ordinary shares at the subscription price.

- On the same day, Mr S contacted IBUK, asking them to credit his account with the shares he'd purchased on 7 and 10 February 2025.
- On 5 March 2025, Mr S received a payment of £1.02997961 per share of lapsed PNNN nil paid and/or renounceable rights for total proceeds of £33,515.54.
- On 31 March 2025, Mr S received a cash dividend of £0.93002039 per share of lapsed PNNN nil-paid and/or renounceable rights, totalling £30,262.86.
- On 4 April 2025, Mr S received a cash dividend of £0.1469 per share of PNN stock in his IBUK account as of 31 January 2025, totalling £1,028.30.

Mr S subsequently contacted IBUK to ask them to credit the shares that he says he purchased in Pennon back in February. However, Pennon explained that as Mr S hadn't made an election during the rights issue, he wasn't entitled to anything beyond what was already credited to him.

Shortly afterwards, Mr S decided to formally complain to IBUK. In summary, he said that IBUK had mishandled the corporate action. Mr S stated that he thought he was entitled to 32,540 shares of PNN stock in exchange for the lapsed PNNN nil-paid rights.

Mr S said that he did not 'tick' the corporate action to receive the shares as, by 'ticking' the corporate action, he would have had to buy the Pennon shares at the published rights price of 262 pence and not the market price. He wanted to know who owns the 27,990 Pennon (PNN) shares purchased by himself at 183 pence with his own cash that was subsequently valued at 458 pence on 11 February 2025.

After reviewing Mr S's complaint, IBUK concluded they were satisfied they'd done nothing wrong. They also said, in summary, that as he had never subscribed to the rights issue, he was not entitled to receive Pennon's newly issued shares. IBUK went on to say that his shares had been sold by the underwriter as he hadn't participated in the rights issue but in return, he'd received a payment of £33,515 on 5 March 2025. Additionally, IBUK said that his 32,540 underwritten shares had provided him with a further dividend payment of £30,262.

Mr S was unhappy with IBUK's response, so he referred his complaint to this service. In summary, he said:

- During the subscription period, the rights ticker never traded at the 262 pence subscription price and the subscription was undersubscribed, meaning existing shareholders could buy additional shares. He bought 27,990 shares in two trades on 7 and 10 February 2025 at a price of 183 pence. And, he did not 'tick' the subscription ticker because he had he done so, he would've had to buy at the subscription price of 262 pence. He would have owned 27,990 plus 7,000 (34,990 shares in total), with each share worth 458 pence or a combined value of £160,254.
- The non-delivery of 27,990 Pennon shares which were worth 458 pence each, are worth c502 pence today, meaning he has suffered a loss and/or IBUK has stolen his profit. He received £63,778.40 but at 458 pence a share, he should have £128,192.20 or a loss of £64,415.80. At 502 pence a share, he should have £140,509.80 or a loss of £76,731.40.
- The fact IBUK facilitated the trades and he completed the trades means "I made an

election” by completing the trades at 183 pence per share. As a special ticker was created for the 'rights' issue and by buying/trading the rights, he automatically participated and made an election. IBUK accepted this by executing the trades and now IBUK need to contractually deliver his 27,990 shares.

The complaint was then considered by one of our Investigators. He concluded that IBUK hadn't treated Mr S unfairly as he'd not opted to take part in the rights issue.

Mr S, however, disagreed with our Investigator's findings and asked for the case to be passed to an Ombudsman. He said that as a customer who is nearly 67 years old, by most firm's standards, he would be classed as vulnerable customer. In addition, he also said:

- Normally a 'new ticker' is not issued for a rights issue by the company raising funds, it's an exception. It is unusual for a rights issue to trade at or above the subscription because the market discounts such issues.
- Pennon rights came with a 264 pence subscription price with his rights – the PNNN new ticker never traded at or above the subscription price of 264 pence, closing at a price of 201 pence. The Investigator's findings do not reflect the PNNN trading price range of 179-201 pence during the subscription period of the rights issue against the 264 pence subscription price. The lack of trading at 264 pence or above the subscription price with the participating offer is central to his complaint.
- The assumption that he saw no relevance in the rights issue and PNNN purchase is incorrect - he saw them directly as “one and the same” and his trading actions confirm this. The fact that he bought 27,990 shares was not only his allocation of 4,550 shares but also an additional 23,440 shares he bought.
- A new separate ticker is not issued for a rights issue normally but shareholders are offered an allocation at a price he chose not to take the allocation at, but bought at the 'market price'. This was a legitimate trade as would be the case in all rights issues where there was no separate new ticker.
- IBUK confiscated c£73,373 of his profits by not delivering 27,990 shares valued at 480 pence per share with a £137,151 valuation and reimbursed only £63,778.
- This dispute is not about investment advice. It is about a legal contract and failure to deliver 27,990 shares worth £137,151 which he bought legally and IBUK failed to deliver. Therefore, IBUK is in breach of contract and as a result, he requests that IBUK release the £73,373 confiscated profits which belong to him.
- As a Pennon shareholder, he bought the PNNN rights by purchasing the shares. Therefore, he participated in the rights offer - they are one and the same. PNNN (Pennon rights ticker) would not exist without PNN (Pennon regular ticker) and he would not have access to these shares on the IBUK platform if it was not legal for him to access it or purchase/participate in the process.
- This is not a normal trade; it's a rights issue trade. Therefore, there is an additional 'duty of care' required by IBUK towards their customers.

The case now comes 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.

I have summarised this complaint in less detail than Mr S has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

My role is to consider the evidence presented by Mr S and IBUK in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm not upholding Mr S's complaint - I'll explain why below.

In a rights issue, a company offers existing shareholders a "right" to buy new shares at a set price and ratio (Pennon offered 13 new shares for every 20 held). These rights can often be traded separately on an exchange before they expire. When the rights are first issued, they are often 'nil-paid', meaning a consumer has the right to subscribe for the new shares but they haven't paid the subscription price yet. These nil-paid rights trade as PNNN on the market during the rights trading period. And, buying these nil-paid rights gives the consumer the option to participate in the rights offer, but importantly, not the underlying shares themselves.

If a consumer just buys PNNN rights on the market (as Mr S did), they own the rights that entitle them to subscribe for new Pennon shares at the rights offer price, but they don't automatically get actual Pennon shares (at least at that point anyway). At this point, they have two routes that they can take; they can exercise their rights by paying the rights offer price (which is the subscription price set by Pennon), to convert their rights into actual fully-paid Pennon ordinary shares, or they can sell their rights instead. But, those rights need to be sold before they expire. Any buyer of those rights, then has the ability to exercise them and subscribe for the underlying shares. Importantly, if the consumer doesn't take any action, those rights expire, ordinarily worthless. But, in this instance, Mr S was fortunate, because although he didn't exercise his rights before the deadline, he did receive proceeds from the lapsed rights because the corporate action was fully underwritten. This meant the rights retained a residual value at expiry, and Mr S was credited with over £63,000 in total. In most cases, unexercised rights would expire worthless, so the underwriting arrangement significantly mitigated his financial loss compared to what would ordinarily occur.

Mr S explained that he believed the PNNN shares he received from Pennon in the rights issue and the additional shares he purchased on the open market, would automatically convert to shares of PNN. But, as I've already explained, the 32,540 shares of PNNN (i.e., the nil-paid and/or renounceable rights) that Mr S held, only gave him the right to either purchase 32,540 newly issued shares of PNN (i.e., the underlying stock) directly from Pennon at the subscription price of 264 pence, which constituted a 35% discount to the expected ex-rights share price; or sell the rights on the open market. Instead, Mr S made the decision to do nothing with these shares prior to the subscription deadline and the shares, accordingly, lapsed. Despite what Mr S says, making a decision just to purchase PNNN,

wasn't an election to take part in the rights issue. Just because he bought PNNN, it didn't mean that he'd automatically receive actual Pennon shares just by buying those rights; he first had to exercise them.

Importantly, the trades Mr S executed in PNNN were secondary market transactions for nil-paid rights, not a direct subscription agreement with Pennon for new shares. Purchasing these rights gave him the option to subscribe for new shares at the published rights price, but it didn't create any contractual obligation for IBUK to deliver fully paid Pennon shares. The obligation to deliver shares only arises when the rights holder exercises the rights by paying the subscription price within the specified period (which Mr S didn't do).

Mr S argues that IBUK breached his contract with them by failing to deliver 27,990 Pennon shares. However, buying nil-paid rights does not constitute a contract for delivery of underlying shares. The legal contract to acquire new shares only arises when the rights holder elects to subscribe and pays the subscription price. And, as I've already explained, Mr S did not make this election, so no contractual obligation existed for IBUK to provide Pennon shares to him.

In his submission to this service, Mr S says that as someone who is nearly 67 years old, IBUK should have treated him as a vulnerable customer, and applied an additional level of care; however, I don't agree. The regulator, the Financial Conduct Authority, has made clear that age alone is not necessarily an indicator that a consumer is vulnerable. And, at age 67, I don't believe at that point, IBUK would necessarily have cause for concern unless there were other markers there which they were also aware of. But in any event, Mr S is an execution only customer. That means he doesn't pay IBUK to provide any advice or direction to him. The decision on what to invest in and when, is his decision alone. IBUK are required to ensure that they provide all of the appropriate information necessary to their consumers but it's up to them to make their own decisions. And, whilst Mr S may be of the opinion that IBUK should've prevented him from purchasing the nil-paid rights if it didn't result in acquiring actual Pennon stock, in doing so, IBUK could be considered as providing advice, which they're not allowed to do. IBUK's customer agreement (which is available on their website and would've been provided to Mr S at the point he became a customer), makes clear that full responsibility for trading decisions rests solely with the customer.

I also understand that Mr S is unhappy that IBUK received commission from the trades that he undertook in February 2025, which he says is unfair in light of the fact that they didn't deliver the Pennon shares to him. However, prior to making any purchase on IBUK's platform, I understand that consumers are provided with the costs of doing so and it's up to them to decide whether to proceed with that transaction. But in any event, whilst Mr S didn't receive delivery of all the Pennon stock he thought he'd be entitled to, IBUK did facilitate the February 2025 transactions for him for which I'm of the opinion, they're entitled to be remunerated for and in any event, is catered for in the customer agreement that Mr S agreed to when he became a customer.

I've looked at the payments that Mr S received in respect of his Pennon shares and the dividends that followed, and I'm satisfied that he received the stock and monies to which he was ultimately entitled. As I've not seen anything to persuade me that IBUK have either failed to provide Mr S with the necessary information about the rights issue or that they prevented him in some way from taking part, or that they failed to provide him with his proper Pennon entitlement under the rights issue, it therefore follows that I'm not upholding his complaint.

**My final decision**

I'm not upholding Mr S's complaint and as such, I won't be instructing Interactive Brokers (UK) Limited, to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 February 2026.

Simon Fox  
**Ombudsman**