

The complaint

Mrs D complains AJ Bell Securities Limited mishandled a corporate action on her share dealing account.

Mrs D would now like AJ Bell to recompense her for the financial losses that she says followed as a consequence of their actions.

What happened

Mrs D holds an investment ISA within her share trading account with AJ Bell in which she held 7,048 shares in the Invesco Select UK Equity Trust, which was an umbrella fund under the Invesco Select Trust plc.

On 15 February 2024, Invesco Select Trust plc announced proposals for a restructuring that included a tender offer across their share classes. Under the terms, shareholders in the UK Equity Share Class were entitled to tender up to 15% of their holdings at net asset value while other classes such as the Managed Liquidity and Balanced Risk had different entitlements. Following shareholder approval in March 2024, the tender closed oversubscribed and final results were published on 15 April 2024.

In light of the corporate event, Mrs D asked AJ Bell to fully tender all her shares in the offer; she later learned that only 2,846 shares were successfully tendered and 4,202 were unsuccessful. Mrs D didn't receive the total proceeds of £5,449.50 until 3 and 13 May 2024 after chasing AJ Bell on a number of occasions.

Unhappy with how the corporate action had been handled, Mrs D decided to formally complain to AJ Bell. In summary, she said that she was unhappy with the time taken to credit her account with the cash proceeds from the tender offer. The delay in crediting the unsuccessful shares meant that she was unable to sell them before trading halted on 1 May 2024, prior to any compulsory conversion of the shares. She also explained that the conversion was forced upon her due to the delay. Therefore, her 4,202 shares were converted, this resulted in 2,633 shares being finally credited to her account on 19 June 2024, when she sold them for £7,239.96.

Mrs D explained she was looking to invest the proceeds of £5,449.50 in the Distribution Finance Capital holdings but the share price had moved away by the time the proceeds were received, so instead she invested in an alternative. She was also looking to do the same with the unsuccessful tendered shares. The delay in returning the proceeds meant that Mrs D was out of the market at the time when it was rising.

After reviewing Mrs D's complaint, AJ Bell concluded they were satisfied they'd done nothing wrong. They also said, in summary, that having carefully considered the chain of events, they had contacted their counterparty, a business that I shall call 'Firm P', on regular occasions throughout the process but couldn't be held accountable for the actions of others.

Mrs D was unhappy with AJ Bell's response, so she referred her complaint to this service. In summary, she said she was unhappy about the delay in receiving the proceeds from the tender offer and the delay in crediting the unsuccessfully tendered shares back to her account, preventing her from trading. She stated that she had contacted AJ Bell's counterparty, Firm P, who had explained to her that their counterparty, a business that I shall call 'Firm J', had both said that as her relationship was with AJ Bell, she should contact them to resolve the matter which didn't seem fair and simply couldn't be correct.

The complaint was then considered by one of our Investigators. She concluded that AJ Bell hadn't treated Mrs D unfairly because when our service investigates a complaint about delays, we must be satisfied that the reason for those delays was due to the actions of the business the complaint is raised against. And, in this case, she was satisfied that AJ Bell had acted fairly and reasonably in trying to resolve matters.

Mrs D, however, disagreed with our Investigator's findings. In summary, she said:

- In her view, AJ Bell are responsible for the actions of Firm P. It was AJ Bell's decision to use Firm P and they had the relationship with them.
- The view explained that in our Investigator's opinion that AJ Bell had acted in the correct manner chasing Firm P, however she had not explained why ultimately AJ Bell are not responsible for Firm P's actions and negligence.
- In her view, AJ Bell are responsible for the correct administration of the account.
- She didn't think her account had been administered correctly so wanted the matter to be referred to an Ombudsman.

Our Investigator was not persuaded to change her view as she didn't believe Mrs D had presented any new arguments she'd not already considered or responded to. 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 Mrs D 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 Mrs D and AJ Bell 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 Mrs D's complaint – whilst it's largely for the same reasons as our Investigator, I'll explain why below.

Before I do, I think it's important to be clear that there's four parties referenced in this complaint, AJ Bell, Firm P (who are AJ Bell's external counterparty), Firm J (who Firm P use as a counterparty) and CREST, but my decision focuses only on the actions of AJ Bell, as that's the firm that this complaint is against and who Mrs D is a customer of. I do not determine the liability of any third party. In assessing AJ Bell's actions, I've considered whether they exercised reasonable skill and care in instructing, monitoring and escalating with their third party provider, including the timeliness and persistence of their chasers and whether they explored reasonable alternatives when delays persisted.

In light of the nature of Mrs D's complaint, I think it's important to set out a timeline of what happened and when. Whilst I'm satisfied the timeline is well known to both parties, it illustrates the main chain of events that took place:

- 8 April 2024 – Mrs D bought shares in Invesco Select UK Equity Trust and elected to tender them.
- 10 April 2024 – AJ Bell contacted Firm P as Mrs D's purchase of 7,048 shares remained unsettled. AJ Bell asked if the position was likely to settle before the market deadline and if they could elect on their behalf.
- 10 April 2024 – Firm P explained to AJ Bell that they are hopeful they would be able to deliver and they were just checking with their counterparty.
- 11 April 2024 – AJ Bell contacted Firm P as Mrs D's position remained unsettled. They asked Firm P to urgently advise if Mrs D's position would settle that day or if they can elect on their behalf as the deadline of 12 April 2024 for the tender offer was fast approaching.
- 11 April 2024 – Firm P responded to AJ Bell to explain that their counterparty still hadn't delivered but they will chase them again. Firm P confirmed that they would elect on AJ Bell's behalf if the counterparty does not deliver.
- 12 April 2024 - Firm P confirmed that they would elect on AJ Bell's behalf and no further action was required by AJ Bell.
- 29 April 2024 – AJ Bell received Mrs D's basic entitlement cash proceeds which was a total of £2,023.93. This was calculated as 1057 shares (basic entitlement accepted) x 1.914796 (cash entitlement) = £2,023.93.
- 1 May 2024 - AJ Bell contacted Firm P to ask why Mrs D's shares were still shown as delayed in CREST.
- 1 May 2024 - Firm P responded that AJ Bell would need to raise this with CREST, as it was strange that the shares had not transformed. They explained that the event was set up for transformation from 28 March 2024 so they should have converted by now.
- 2 May 2024 - AJ Bell contacted CREST about Mrs D's unsettled transformation. They explained that it was shown as delayed and it relates to the tender offer. They needed the shares back to credit the untendered shares.
- AJ Bell also explained that after checking in CREST there was only the event with a transformation date of 25 March 2024, but CREST hadn't uploaded another event to facilitate transformation from the deadline extension of the tender offer, which was 12 April 2024. AJ Bell asked CREST to urgently advise if they will upload another event to get Mrs D's transformation of shares done.

- 2 May 2024 - CREST explained that the trade had not generated until the transformation period had ended, meaning AJ Bell would need to settle this manually with the counterparty.
- 3 May 2024 - AJ Bell contacted Firm P to explain the trades did not generate until after the transformation period had ended. Therefore, they would need to settle this manually.
- 3 May 2024 – AJ Bell paid Mrs D her basic entitlement cash proceeds of £2,023.93.
- 7 May 2024 - AJ Bell chased Firm P as they hadn't received a response.
- 7 May 2024 – AJ Bell credited and funded 2,633 Global Equity Income ordinary shares to Mrs D's account.
- 8 May 2024 - Firm P explained that they were unable to send the excess entitlement. Therefore, the untendered shares which now included the excess entitlement that was not tendered had undergone a conversion at a rate of 0.626809.
- 13 May 2024 – AJ Bell asked Firm P to go ahead with the post conversion shares. They asked for the converted shares to be put into the account.
- 13 May 2024 – Firm P asked AJ Bell to confirm the account details.
- 13 May 2024 – AJ Bell confirmed the account details.
- 13 May 2024 – Firm P confirmed that they are chasing their counterparty for receipt of the stock.
- 13 May 2024 – AJ Bell asked Firm P if they could escalate with their counterparty as they needed the outstanding stock for Mrs D.
- 13 May 2024 – AJ Bell paid Mrs D her excess entitlement of £3,425.57. This was calculated as 1789 shares (excess entitlement accepted) x 1.914796 (cash entitlement) = £3,425.57.
- 14 May 2024 – AJ Bell chased Firm P for a response.
- 14 May 2024 – AJ Bell chased Firm P again.
- 14 May 2024 – Firm P confirmed that they are escalating the issue with their counterparty.
- 15 May 2024 – Firm P contacted AJ Bell to explain that their counterparty is being slow with the arrangements.
- 17 May 2024 – AJ Bell contacted Firm P for an update on the stock.
- 21 May 2024 – AJ Bell contacted Firm P for an update again after no response.
- 3 June 2024 – AJ Bell contacted Firm P for an update again after no response.
- 3 June 2024 – Firm P responded that they have finally heard back from their counterparty, and they are just waiting for settlement.

- 4 June 2024 – AJ Bell asked Firm P to confirm delivery details so they can match them on their side.
- 10 June 2024 – AJ Bell asked Firm P for an update.
- 11 June 2024 – Firm P responded that their counterparty still hadn't delivered. They would advise AJ Bell soon.
- 14 June 2024 – Firm P confirm to AJ Bell that they are now able to settle the position.
- 16 June 2024 – AJ Bell received the post conversion shares.
- 18 June 2024 – Firm P confirm that the position is settled.

I do appreciate Mrs D's frustration with the delays that she experienced here but for me to be able to direct AJ Bell to recompense her, I'd need to be satisfied that they had done something materially wrong, but I haven't been. Custodians have a duty to collect and transmit shareholder instructions accurately and on time. And, from what I've seen, AJ Bell did that but the delays in Mrs D receiving her shares and cash proceeds weren't as a consequence of something that AJ Bell didn't do.

The contemporaneous records show AJ Bell secured Mrs D's basic and excess cash entitlements as soon as they were available and credited them promptly (3 and 13 May 2024) and pursued Firm P repeatedly to obtain delivery of the post-conversion shares, which depended on their counterparty's settlement. I've seen no evidence that AJ Bell could have credited the stock earlier without receipt.

As is typically the case in corporate actions, firms such as AJ Bell rely on third party providers to help satisfy tenders as they aren't able to fulfil them themselves. And, whilst we would expect providers to carefully oversee the actions of those third parties, we ultimately can't hold businesses responsible for the actions of those third parties if the business has acted in an appropriate and diligent way. And, having carefully studied the timeline above, it appears clear to me that AJ Bell acted in a prompt manner when progressing the corporate action on Mrs D's behalf. The timeline evidences that AJ Bell responded to Mrs D's questions in a timely manner and consistently chased Firm P for updates throughout, but I've seen nothing to persuade me that any of the delays Mrs D experienced were the fault of AJ Bell.

I've looked at AJ Bell's terms and conditions of the dealing account that Mrs D would have been provided a copy with when she set the account up and is freely available on AJ Bell's website. On page 17 of those terms, it states:

"17. General

17.5 We may engage Third Party Service Providers or our Group companies to provide any of the Services. We will exercise reasonable skill and care when selecting, monitoring and periodically reviewing any Third Party Service Providers we engage but will not otherwise be responsible for their default or other acts or omissions."

It therefore seems clear to me that AJ Bell makes clear that whilst they'll endeavour to make every effort to monitor the third parties that they use, they can't be held accountable when the delays sit elsewhere. I've also thought about how AJ Bell met that standard. I find AJ Bell exercised reasonable skill and care in overseeing their third-party providers: they chased Firm P repeatedly when deadlines were imminent (10–12 April 2024), escalated when CREST impacts arose (1–2 May 2024), moved to manual settlement when automated

transformation wasn't available (2–3 May 2024) and continued to press for delivery until completion (14 May–18 June 2024). So, I think on the balance of probabilities, no practical alternative would have secured the earlier crediting of stock.

As I've not been able to conclude that AJ Bell have done anything wrong, it therefore follows that I'm not upholding Mrs D's complaint.

My final decision

I'm not upholding Mrs D's complaint and as such, I won't be instructing AJ Bell Securities Limited to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 2 January 2026.

Simon Fox
Ombudsman