

The complaint

Mr T complains about the lack of communication from Interactive Investor Services Limited about his share dealing account, and that they sold his shares without consent.

What happened

In 2013 Mr T opened a share dealing account with NatWest Stockbrokers Limited and bought shares in six companies worth around £132. The charges applied by NatWest were commission based on each share deal, there were no regular charges applied. In 2014 NatWest sold this part of the business to TD Bank Group, who continued the same charging structure. In June 2017 it was announced that Interactive Investor were taking over TD, and would be introducing changes to the charges, which happened in December 2017. The new charging structure included a quarterly account charge of £22.50.

On 10 January 2018 Interactive Investor charged the first amount of £22.50, which appeared on a statement in April 2018. Further quarterly charges were applied, taking his cash balance into a negative figure of -£77.73 by 10 January 2019. On 8 March 2019, Interactive Investor sold three of Mr T's shareholdings to pay off this balance. Further quarterly charges continued, until Interactive Investor switched to monthly charges of £9.99 in June 2019.

The last monthly charge of £9.99 was deducted in April 2020, leaving a negative cash balance of -£126.05. No further charges were deducted and on 9 December 2022 the remaining shares in Mr T's account were sold, still leaving a -£118.40 negative cash balance, which Interactive Investor eventually wrote off.

Over that time, Mr T had been content to leave his shares to accumulate. In 2024, Mr T wanted to find out what had happened to his shares, and in May 2024 discovered they had been sold. He complained, as he felt they had been sold without any notice being given to him. Interactive Investor didn't uphold the complaint, explaining they sent emails to all customers when they took over TD, providing notice about the introduction of the charges. They said the terms allow them to sell shares without providing notice, to cover outstanding charges. However, as a gesture of goodwill, they paid £135 into his Interactive Investor account, which they said was the price it would cost him to buy back the shares.

Mr T remained unhappy and brought his complaint to our service. An investigator at our service considered it and found the offer was fair, as Mr T had been sent emails setting out the details. Mr T explained that he'd seen no evidence of being sent the emails and was unhappy that no other methods of contacting him had been used, like post or phone. So, the complaint was passed to me for a decision.

I got in touch with both parties to explain that I was only able to look into the events that took place from May 2018 onwards, due to certain time limits that apply. Both parties accepted that decision. I then issued a provisional decision setting out my findings on Mr T's complaint, as follows.

"My provisional decision

As I can't consider the events that took place prior to May 2018, I can't give an opinion on whether Mr T was treated fairly and reasonably when Interactive Investor took over from TD. Some of the facts of what took place before May 2018 are relevant to my decision, in particular the following events:

- The email address Mr T used when he set up the account with NatWest was a btinternet address.*
- In July 2015 Mr T moved house, and a statement was addressed to his new address in April 2016, so he would have given TD his updated address after they took over in 2014.*
- At the beginning of June 2017 Interactive Investor say an email was sent to all TD customers telling them about the takeover. They haven't provided the exact email addressed to Mr T, just a sample copy, which includes the following: "We are committed to providing you with great value for money, through simple, fair and competitive charges. We will, therefore, be introducing a new, simpler pricing approach... Q. Will my rates and charges change? A. There are no immediate changes being made to rates and charges. Later this year we will introduce a new pricing approach... We believe that customers should be charged clear and fair prices based on how they invest. We will introduce a fixed fee per customer for our standard trading and investing services which will be held as a credit towards trade commissions for buying and selling. When that credit has been used we will charge a simple, low commission for each trade you place."*
- At that time, Mr T still used his btinternet email address. He says he started using a sky email address on 25 June 2017.*
- On 23 October 2017 Interactive Investor sent an email, which they say would have gone to the btinternet email address, which set out the following: "Summary of key pricing features: £22.50 fixed quarterly payment – gives you £22.50 of trading credits... Your quarterly payment is non-refundable... Two commission rates - £10 and £6."*
- Those charges came into effect in December 2017.*
- The first quarterly fee of £22.50 was deducted from the cash balance of the account on 10 January 2018, leaving a balance of £9.58. The next was on 11 April 2018, which took the cash balance of the account into a negative amount for the first time, of -£12.15.*

My role is to consider whether Interactive Investor has treated Mr T fairly and reasonably in the sale of the shares, the application of charges that led to the sale of shares, and the way they've communicated with him. In doing so, I've taken into account the terms governing the account, and the relevant rules and guidelines that apply to Interactive Investor.

I can't give an opinion on the fairness of the first two quarterly fees applied in January and April 2018, due to the time limits that apply. After that, three further quarterly fees were applied before any shares were sold, which took the cash balance of the account to -£77.73. Bearing in mind the fact I can't consider the change to the terms that introduced these charges, the only thing I can reasonably consider here is whether the charges were applied in line with the way described in the documents governing the account at the relevant time. Having considered that, they do appear to have been appropriately charged.

The first shares were then sold by Interactive Investor in March 2019. I asked Interactive Investor whether they would have sent any communications to Mr T at that time to let him know in advance that the shares would be sold. They've said that at the time of answering my question in July 2025, they no longer had any records of specific emails going back to before May 2019, as they said firms are not required to keep records for more than 6 years.

They submitted that they may have sent communications, but that regardless, under the terms and conditions that apply, they didn't need to give advance notice.

Given the lack of records, I've considered whether it is more likely than not that anything was sent to Mr T (via any communication method) prior to the sale of the shares. I can see Interactive Investor's final response letter sent in May 2024 refers to correspondence after March 2019 only – as did their initial submissions to our service in September 2024. At both times, based on what Interactive Investor has said about their record retention time periods, they would have had access to all communication sent in 2019.

Had anything specific been sent to Mr T in the months leading up to the sale of the shares in March 2019, I find it probable that Interactive Investor would have referred to it in at least one of those documents, as it would have been valuable evidence to rely upon. As they didn't refer to any such communication, I've concluded that it's more likely than not that they didn't let him know in advance that the share would be sold.

I've considered whether they ought to have, starting with the terms and conditions governing the account. The terms said:

“At any time that we consider reasonably necessary or desirable including without limitation, if you fail to make any payment or to deliver any investments or transfer documents due to us at the due time for payment or delivery then we reserve the right, without prior notice to you, to... arrange the sale of investments to provide funds to cover any outstanding amount”

I agree that under the terms of the account, Interactive Investor could sell the shares without providing advance notice. However Interactive Investor had a duty to balance their contractual abilities, with their regulatory obligations and to consider the needs of their customers. In particular, under the Financial Conduct Authority's rules, they had the following obligations in 2019:

- PRIN 6: A firm must pay due regard to the interests of its customers and treat them fairly.*
- PRIN 7: A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.*
- COBS 2.1.1: A firm must act honestly, fairly and professionally in accordance with the best interests of its client (the client's best interests rule).*

Effectively, in my view these obligations mean that just because they can exercise the power of selling shares without prior notice, doesn't mean they should in all circumstances. They ought to consider the needs of their clients before doing so.

Interactive Investor has argued that in sending the communication in 2017 Mr T ought to have been aware of the fact they would sell his shares if the charges weren't paid. Bearing in mind that I can't consider whether Interactive Investor acted fairly and reasonably in 2017, I can only comment on the factual composition of the emails that they said they would have sent. They contained no reference to the automatic sale of shares if the charges are not paid. The email in June 2017 said that the fixed charge would “be held as credit towards trade commissions for buying and selling”. There was no time limit given for use of that credit or for time frames for paying charges. The email provided a link to the terms, which make no reference to the timing of the sale of shares, for instance after a certain number of unpaid charges. So factually, that communication didn't tell Mr T about the scenario that took place in 2019.

Turning to the communication sent from May 2018 onwards which I can consider, while no communications were sent to Mr T directly about the sale of the shares in advance, I am mindful that Interactive Investor did send some communication which referred to the outstanding charges in the months leading to the sale. In January 2019 a statement was produced covering the period of 1 October 2018 to 31 December 2018, which set out that three quarterly charges of £22.50, for April, July and October 2018, were due and that there was a cash balance of -£55.69. However, it didn't mention anything about the fact that shares may be sold to cover that negative balance.

While there is an address on the statements, which would have been Mr T's correct address had it been sent by post, I believe the statements would not have gone out in the post. Interactive Investor has said all communication was by email – so the statements would at the most have been emailed to him, or at the least would have appeared on his online account. Regardless, the statement didn't contain any warning of what might happen, so even if I was certain Mr T had read it, he wouldn't have been made aware that something might happen to his shares.

I've also considered the fact that Mr T was also under a duty to manage his account, including updating his details appropriately. He didn't try and update his email address prior to 2024. However, I believe when he set up the account initially with NatWest, he'd have received communication by post (as in my experience that is how they dealt with most customers) and he had updated his postal address with TD. So, he had, factually, taken some steps to ensure he received communication. Once again, as those steps were taken in the time period prior to May 2018 I can't comment on whether they were reasonable.

In my view, there came a moment in time where Interactive Investor was owed a sum of money and knew that Mr T had not engaged with them at all, and that he had not traded since 2013. There's no evidence of him responding to previous emails, or logging into the Interactive Investor platform at all, so Interactive Investor would have known that email or messages sent to his online account, were not successful ways to get him to engage with their actions on his account.

In taking over from the previous providers, I understand that Interactive Investor took the decision to move all customers on to email only communication, regardless of previous communication preferences. Interactive Investor would have known that some customers would find the monthly charge model to be detrimental compared to the previous commission-only model and it's foreseeable that some customers would not engage by email, if they hadn't done so previously or were not expecting it.

In my view, they ought reasonably to have taken that into account when considering Mr T's information needs prior to selling his shares and attempted to contact him in a different way, for instance by post. They had the correct address on file, so I see no reason why he wouldn't have received a letter.

I note that Interactive Investor has said that they consider email to be a more secure communication method than post, especially where there's not been contact with a customer for many years, as they may have moved. However, if that were truly a concern, there are many ways that an address can be checked by financial firms. Also, had they received a bounce-back from the email address, they've said they would have written by post anyway. So, I don't consider there to be a reasonable justification for not writing to Mr T by post.

I note Interactive Investor has not provided any submissions as to the timing of the share sale – there's no evidence of urgency or some sort of internal policy being followed. So, I see no reason why they couldn't have taken the time to write to Mr T to request that the cash balance be brought up to date, and to set out the consequences of not doing so. Having

considered everything, I'm satisfied Interactive Investor did not act fairly and reasonably in selling Mr T's shares in 2019 without prior warning.

Had they written to him by post, I'm persuaded that Mr T would have reacted similarly to how he reacted in 2024 – he'd have been upset to learn about incurring charges and would have taken some action. There are other share dealing platforms that do not apply regular charges which may be more suited to a customer such as Mr T who don't trade regularly and only held a small number of shares. So, I'm satisfied that if he'd moved the shares, he'd have been able to continue to hold them elsewhere without incurring charges.

To put things right, Interactive Investor should reconstruct his account as though no further charges had been taken after January 2019 to date. This will involve rebuying the shares sold after that point and applying any dividends Mr T would have received over the years had he still held the shares, to the cash balance. Any negative balance remaining due to the charges applied prior to March 2019, should be written off as compensation for distress and inconvenience, given the shock Mr T was caused by discovering all his shares had been sold.

That reconstruction should be completed within one month of the date we tell Interactive Investor of this complaint being resolved. Interactive Investor should tell Mr T once the reconstruction is complete.

Mr T would then need to decide whether to: stay with Interactive Investor, sell his shares and close the account, or move the shares elsewhere. I consider that he should have one month to make that decision, from the date he is informed by Interactive Investor that the reconstruction has been completed. If he has done nothing in that time, Interactive Investor would be entitled to start applying their regular charges again. However, if he has initiated a transfer in that time (even if it hasn't yet completed), no further charges should be applied.

I note Interactive Investor already paid £135 to Mr T's share dealing account in reply to the complaint. However, they immediately started to apply charges, despite the fact that no charges had been applied since 2020, the account was empty, and the complaint was referred to our service. This has led to the account once again having a negative cash balance. As Mr T didn't have use of that money, and Interactive Investor has had the whole of it back through their charges, in my view it is irrelevant for the purposes of the redress that I consider to be fair."

Replies to my provisional decision

Mr T replied and accepted the provisional decision.

Interactive Investor didn't reply.

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, as there's been no objection to the findings I reached in my provisional decision, I see no reason to depart from them and I make them final. So, to put things right, Interactive Investor should:

- Reconstruct Mr T's account as though no further charges had been taken after January 2019 to date. This will involve rebuying the shares sold after that point and

applying any dividends Mr T would have received over the years had he still held the shares, to the cash balance.

- Any negative balance remaining due to the charges applied prior to March 2019, should be written off as compensation for distress and inconvenience, given the shock Mr T was caused by discovering all his shares had been sold.
- That reconstruction should be completed within one month of the date we tell Interactive Investor of this complaint being resolved. Interactive Investor should tell Mr T once the reconstruction is complete.

Mr T would then need to decide whether to:

- Keep the shares and stay with Interactive Investor, or
- Sell his shares and close the account, or
- Move the shares elsewhere.

Mr T should have one month to make that decision, from the date he is informed by Interactive Investor that the reconstruction has been completed. If he does nothing in that time, Interactive Investor would be entitled to start applying their regular charges again. However, if he has initiated a transfer in that time (even if it hasn't yet completed), no further charges should be applied.

My final decision

I uphold the complaint. Interactive Investor Services Limited should reconstruct the account and take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 29 October 2025.

Katie Haywood
Ombudsman