

The complaint

Mr G complains that, following a takeover affecting one of his shareholdings, Interactive Investor Services Limited took too long to register the new shares to his account.

Mr G says he's lost profit of around £3,600 as he couldn't sell the shares until they had been registered to his account.

What happened

Mr G has a share dealing account with Interactive Investor. In his SIPP account he had a holding of shares, which I'll refer to as "B". In September 2024, Interactive Investor wrote to Mr G to tell him that B had entered into a scheme of arrangement with a company I'll refer to as "E". As a result of the takeover, Mr G was due to receive E shares. E shares were registered on the Toronto Stock Exchange ("TSE").

Interactive Investor said:

"We will allocate shares to accounts as they are received from the company. The new shares in [E] are to be issued to us by DRS [Direct Registration System] statement. The DRS statements are expected to take between 11-20 business days to be received by post. Once received at Interactive Investor we will arrange for these to be deposited with our international custodian, when this process is complete you will then be able to trade your [E] shares in the normal manner."

The effective date for the scheme of arrangement was 2 October 2024.

Mr G first contacted Interactive Investor on 24 October to find out why the registration was taking so long and was regularly in contact with Interactive Investor after that. On 19 November, Interactive Investor sent an update to all affected clients to say the DRS statement had been received and that they should allow 10 working days for their accounts to be credited. But the shares weren't registered to Mr G's account until 15 January 2025.

In its final response to Mr G's complaint, Interactive Investor said, in summary, that:

- Whilst the DRS statement was received on 30 October, it was *"misplaced and passed to another internal team in error"*; the statements were located on 15 November and passed to the correct team for processing.
- It acted as quickly as possible and tried multiple times to deposit the shares, but it wasn't provided with the correct information from the transfer agent.
- This wasn't a service typically provided by it, and there wasn't a standard process to follow because each transfer agent, registrar and country have their own requirements.
- The timescale couldn't be guaranteed, and 10 working days wasn't realistic. It accepted it had given incorrect expectations.
- It wouldn't compensate Mr G for any trading loss, as he hadn't placed any trades.

- It paid him compensation of £260. (£110 for the overall delay; £50 for its error in misplacing the DRS statement; £50 in recognition of the contact Mr G had to make with it; and £50 for providing the wrong timescale in its 19 November letter.)

Mr G considered the compensation derisory and referred his complaint to this service.

Our investigator thought Interactive Investor's payment of £260 was reasonable to compensate Mr G for the delay it caused, for his time following the matter up, and for setting an unrealistic expectation of how long the registration would take to complete. The investigator didn't think Mr G had confirmed any intention to sell the shares and hadn't done so since they were registered to his account. He didn't think Mr G would have sold E shares at the end of November. And, in any event, he didn't think the shares would have been registered by then, even if Interactive Investor hadn't caused a two-week delay.

Mr G didn't agree. He said, in summary, that:

- The investigator assumes that, even if Interactive Investor hadn't mislaid the DRS statements, the delays which occurred after it'd located them would still have occurred. This assumption is unfounded. Interactive Investor's two-week delay in locating the DRS statements was the key failure that disrupted the entire chain of settlement.
- It's not relevant that Interactive Investor doesn't routinely offer this service. It still had a duty to act competently and with the necessary skill, care and urgency. Minor variations in requirements for different transfers doesn't excuse mishandling basic processes.
- Rather than complexity, Interactive Investor failed to resolve the matter due to unfamiliarity, incompetence, and a lack of urgency over a three-month period.
- Interactive Investor was responsible for the conduct of its chosen agents, and it should've managed the relationship proactively.
- His trading history and his repeated contact with Interactive Investor shows his clear intent – if he had been given access to E shares, he would have sold them no later than 5 December, and potentially near the high price of CAD\$10.44 on 29 November.
- Interactive Investor breached several of its regulatory obligations, including to act with integrity, care, and in the best interests of its clients.
- The treatment of Interactive Investor's other clients is relevant to his complaint – if other clients experienced the same delay, it suggests there are broader operational issues which should be factored into his case.
- Compensation of £260 is wholly inadequate given the scale and duration of the failure and doesn't reflect the distress and inconvenience he was caused. Failing to hold Interactive Investor to account for its failings discourages Interactive Investor, and other brokers, from improving.

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.

Firstly, I should make it clear that the role of the Financial Ombudsman Service is to resolve individual complaints and to award redress where appropriate. I do not perform the role of the industry regulator, and I do not have the power to make rules for financial businesses or to punish them. Nor is our role to improve the industry. So, whilst other clients most likely would have been affected by the delay Mr G complains about, my role is only to look at the impact that delay had on him.

Interactive Investor has accepted that it caused some of the delay here and that it provided an unrealistic timescale of when the transfer should be completed. It also said this was a complex process and wasn't a service it typically provided. But Interactive Investor's website and terms allow clients to hold and trade Canadian securities, so I would expect Interactive Investor to have some familiarity of the transfer process, and I think it was reasonable for Mr G to expect Interactive Investor to understand the requirements. That said, Interactive Investor was reliant on other parties to complete the registration process, and they didn't always provide the correct information to Interactive Investor to enable matters to be concluded correctly.

I find Interactive Investor caused an initial delay when it mislaid the DRS statements. Once the statements were delivered to the correct team, Interactive Investor then proceeded with the transfer and communicated with the registrar and agent within what would generally be accepted reasonable timescales. But, having knowingly caused a two-week delay, I think there were times when it could have acted with more urgency. For example, it didn't contact the registrar to start the process until two business days after the DRS statements were delivered to the correct team; it took three working days to provide a statement of holdings after it was requested; and it took four working days to respond to an email from the registrar asking for information.

I also think there were opportunities for Interactive Investor to realise earlier than it did why its instructions were being rejected.

However, having considered everything carefully, I agree with our investigator that Mr G didn't express an intention to sell E shares during his communications with Interactive Investor. So, whilst he says he would have sold at or near the market high at the end of November, I've not seen evidence that he told Interactive Investor at the time that this is what he wanted to do. This means I can't conclude with any certainty that, had there not been a delay, Mr G would have sold his shares. It follows that I can't order Interactive Investor to compensate him for the trading loss he says he's incurred.

But the delay did cause Mr G distress and inconvenience, for which he should be compensated. He had to contact Interactive Investor on several occasions to check progress over a period of three months. Interactive Investor has already paid him £260. I think it's fair and reasonable that it pays Mr G an additional £100.

My final decision

My final decision is that Interactive Investor Services Limited should pay Mr G £100, in addition to the £260 it's already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 18 November 2025.

Elizabeth Dawes
Ombudsman