

The complaint

Mrs M had a share dealing account with Halifax Share Dealing Limited (“Halifax”). A corporate event took place on one of her holdings. Mrs M’s complaint is that she has not been paid the correct amount owing to her in relation to that event. Mrs M is also unhappy about the way Halifax dealt with her complaint.

What happened

Mrs M has a share dealing account with Halifax. Halifax provides both a share dealing service and the service of holding shares, referred to as a safe custody (or custodian) service, for account holders.

Mrs M held 22,000 shares in an exchange traded fund (ETF), which I will call the old ETF, with Halifax. The asset manager who runs that fund (“the ETF Manager”) decided to merge it into a different fund I will call the new ETF. This was announced in January 2025.

The merger involved the shares in the old ETF being replaced by shares in the new ETF. The exchange was on the basis of 0.1451132 shares in the new ETF for each share in the old ETF.

When it informed clients of the corporate action in February 2025, Halifax said it would not issue fractional shares to its customers (unless they hold a ShareBuilder account, and as I understand it, Mrs M’s account is not that type of account).

When the merger took place later that month, Halifax credited Mrs M’s account with 3,192 shares in the new ETF. There was a fraction of a share left over, and Halifax had a process for dealing with that situation.

As I understand it, the point about not being able to hold a fraction of a share is not in dispute and so neither is the need for a process for dealing with that situation. It is the way Halifax dealt with things in Mrs M’s case that has led to her complaint.

In broad terms, Halifax gathered up the fractions of shares it had received for all its affected clients and sold them. It then divided the sum received between the affected clients and made a cash payment to each client. Halifax paid Mrs M £46.52.

Mrs M thought this payment was incorrect. Mrs M contacted Halifax on 10 March 2025 to complain that she had not been paid the correct amount.

Halifax replied to Mrs M on 11 March 2025. It said the amount paid was correct. Halifax said:

“... as mentioned in the Corporate Action notification, ‘unless you have a ShareBuilder account, we won’t be issuing any fractional shares. We’ll deal with any cash entitlements in accordance with our Terms and Conditions’.

This in turn means that the rate is calculated as follows:

- **Total Cash Raised:** We have sold the leftover fractional shares from all the customers involved in the event as whole shares and raised **£5623.53**.
- **Share Price Calculation:** In order to find the price per share, we divide the total cash by the number leftover fractions. This gives you a share price of **£95.14482**.
- **Customers Fraction Value:** To find out how much a customer fraction is worth, you multiply their fraction by the share price.

Based on the above in your case, we have taken the **0.486** of a share that you were left with, we multiplied the **0.486** by **£95.14482**, which equals **£46.24** that being the amount you have received.

In view of this, I can find no grounds to uphold your complaint. I hope I have explained the reason for my decision.

*I can confirm there will be no further investigation, and I have closed your complaint. **You can go to the Financial Ombudsman Service...**" [all original emphasis]*

Halifax then went on to provide details of our service and said that any complaint should be referred to us within six months. Mrs M referred her complaint to us accordingly on the same day.

Mrs M says her fraction of a share should have been 0.494 not 0.486. And she says the price Halifax claims to have sold at cannot be right as the shares never traded below £103 and mostly traded nearer £110.

Mrs M also thinks Halifax has unnecessarily put her to the additional trouble of making a complaint to us rather than giving her an opportunity to put her points to it. She claimed £50 for this additional, avoidable trouble.

The complaint was considered by one of our investigators. He asked Halifax to explain how it had worked out the figure it paid to Mrs M. This led to a second explanation from Halifax. In June 2025 Halifax's explanation included the following points:

- It is possible it had not received all the fractional shares it was entitled to, but it had made its payments based on what it had received.
- Its systems cannot accommodate more than 6 decimal places – and it can't round up so the 7th decimal place becomes part of the fractions or extra shares it has to sell at the end.
- It originally received 48831 shares. It released 48778 to customers to give the whole shares they were due.
- There were 53 shares in respect of pooled fractional shares.
- It sold the 53 shares to raise cash for the fractional payment. It sold those shares for £5623.53 at a price per share of £106.1043.
- Although Halifax received 53 shares, its clients had a total of 59.104952 fractional shares.
- The cash was then divided by all the pooled fractions to give a "share price" which was $5623.53/59.10495 = £95.14482$ per whole share.
- As it had 53 shares left over but had a total of 59.104952 fractional holdings, the resulting price (paid to clients for their fractional shares) was less than the price received from the sale of the shares.

Halifax's comments included:

"By my reckoning this company could actually owe us a further fractional payment but we have never received anything, and we can only pay out what we've had in.

So, in settlement we got 48819 shares (our depots will have had fractions on them that we haven't been paid out on) but we'll chase to see if they are going to...

It is difficult to explain when some of our original holding would have been tied up in fractions that we have not had a payment for. We will see if they are going to pay out, but we have received nothing yet so can't guarantee they will."

The investigator then wrote to the parties to let them know what he thought. He made a number of points including the following:

- We cannot consider complaints about complaint handling and part of Mrs M's complaint relates to the way Halifax has dealt with her complaint.
- Halifax used a conversion rate of 0.145113 rather than the conversion rate of 0.1451132 used in the corporate action because its systems cannot accommodate more than six decimal places.
- He agreed that with the correct conversion rate Mrs M should have been allocated 0.4904 fractional shares rather than 0.486.
- However, he also agreed with the calculation of the £95.14482 price calculated by Halifax based on the explanation it had given. This means Mrs M was underpaid by only 42p.
- On balance he did not consider Halifax had acted unreasonably as it applied its policy to all clients and it had made distributions to clients in respect of all of the shares it had received.

Mrs M does not agree with the investigator. She said according to the information obtained by the investigator Halifax owes her £5.79 and it should not just be let off paying what it owes on the grounds that it had tried but failed to collect the money from the ETF Manager. She also says Halifax misled her when it said it sold the shares for £95.14482 when it sold them for £106.1043. She says:

"Misleading customers to disguise corporate laziness is unacceptable"

The complaint was referred to me to decide and I issued a provisional decision. I thought Mrs M's complaint should be upheld and I explained why. I also said that I thought Halifax should pay Mrs M £10 as a convenient round figure to cover the final loss Mr H has suffered. I also said Halifax should pay Mr H £100 for the distress and inconvenience it had caused her.

Mrs M agrees with my provisional decision. She said she has closed her Halifax share dealing account so compensation should be paid to her not into her share dealing account.

Halifax does not agree with my provisional decision. It says it has done nothing wrong. It says it has paid out all the money it received in accordance with the customer agreement and regulatory requirements and that it only had ten days to make the payment. It also does not think it should have to pay compensation to Mrs M for the process of having to refer a complaint to the Financial Ombudsman Service.

Mrs M says the obligation on Halifax under the terms and conditions is to pay her “*promptly in line with the terms of the offer and Regulatory Requirements*” rather than on the basis of how much it receives. And if it has not received the correct amount, that is a matter between it and the ETF Manager. She asks that I confirm this in my final 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’m required to determine this complaint by reference to what I consider to be fair and reasonable in all the circumstances of the case. When considering what is fair and reasonable in the circumstances, I need to take account of relevant law and regulations, regulator’s rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time.

Halifax says its terms and conditions include:

“If, after acting for you and our other clients for any transaction, we are left with fractions of investments we will add these together, sell them (in the case of an investment) and where the value of your total fractional entitlement is less than £5, we will keep the proceeds to set against our operating costs.”

And as mentioned above, it is not disputed that Halifax could in principle deal with Mrs M’s fractional shares in the way it did. The issue is whether Halifax paid Mrs M an appropriate amount for her fractional shares.

Halifax explained to Mrs M that the share price it received for her fractional shares was £95.14482. Mrs M said this is not right as the shares did not trade below £103 and were generally nearer £110.

It was only after Mrs M referred her complaint to the Financial Ombudsman Service that Halifax corrected itself and said the shares were sold at £106.1043 not £95.1442.

There are two parts to Halifax’s explanation for its position. First, Halifax’s systems can only accommodate six decimal places, but the conversion ratio used by the ETF Manager had seven decimal places. This means Halifax rounded Mrs M’s fractional allocation down to 0.486 rather than the correct figure of 0.4904.

The second point is that Halifax had pooled fractions for all affected clients totalling 59.10492 but had only 53 shares to divide amongst its clients.

This means that Mrs M received less than 100% of the price Halifax received on the sale applied to a slightly lower fractional allocation (because of the decimal places point.) Mrs M did therefore receive a lower payment for her fractional shares than she would reasonably expect to receive. Her approach to calculating the amount she thought due to her was, on the face of it, reasonable. Mrs M asked Halifax about the price it received for her fractional shares and it told her an incorrect price.

Halifax says it has done nothing wrong, but it is my finding that it gave an incorrect and misleading answer to Mrs M’s reasonable question about how much it paid to her. It is no answer to that point to say it did not receive a full payment from the ETF Manager (a point Halifax does not seem to have noticed until recently). It is obviously wrong and misleading to tell a customer that their shares were sold at one price when they were sold at a different price. And when the price given was not a price at which the shares were trading at the

time, this incorrect information would inevitably cause confusion and annoyance. And lead to further questions causing more time and trouble to be spent in trying to understand what had happened and get things, which reasonably seemed wrong, put right. And that is what happened in Mrs M's case.

Another point is that Halifax seems not to have realised it had received too few shares. Or it did notice but made the commercial decision that it was not worthwhile pursuing the ETF Manager for the "missing" shares or for an explanation for why they were not provided.

In my view Halifax ought to have been more alert about what it had received and what it had to allocate, and more mindful of its clients' interests. It should have been in a position to either put things right quickly by obtaining the correct number of shares or proactively explain to its clients such as Mrs M why they had received less than they would reasonably have expected. I consider Halifax was in error in this respect also.

It is not for me to make a finding about how much the ETF Manager should have paid Halifax. As Mrs M says, that is a matter between the ETF Manager and Halifax.

Mrs M has made the point that under the terms and conditions of the agreement she has with Halifax, she is entitled to be paid on the basis of the offer made by the ETF Manager not on the basis of what Halifax receives from the ETF Manager.

Mrs M does appear to have been entitled to a payment based on the full size of her holding and based on the price the fractional shares were sold for, but I am not prepared to make a finding based on the contract wording in this case. The obligation to make a decision that is fair and reasonable in all the circumstances includes an obligation to consider the fairness and reasonableness of requiring Halifax to pay money or other benefits to its clients which it has not itself received notwithstanding the precise way in which the terms and conditions are worded. So the contract point is not clear cut, and I do not need to make a finding on it to resolve this complaint given the other findings I have made above.

It is my view that in the circumstances of this case a fair and reasonable outcome is that Halifax pays Mrs M compensation of £10 which will put her into the equivalent position to the one she would have been in if Halifax had paid her in full at the time it made its payment. As I said in my provisional decision, it is my view that it is fair and reasonable and pragmatic for Halifax to proceed on the basis that but for its errors Mrs M would have received a slightly larger payment than she did. It should therefore pay Mrs M £10 which is a convenient round sum which more than covers the financial loss Mrs M has suffered as result of not receiving a payment for her fractional shares based on the correct holding calculated to 7 decimal places and the correct sale price achieved of £106.1043.

It is also my view the errors I have found on Halifax's part have naturally and foreseeably caused Mrs M distress and inconvenience. They have caused her annoyance and frustration. They have also caused her the inconvenience of having to spend time and trouble in trying to get an answer to her reasonable question about why she was paid the sum she was paid and not the higher sum she reasonably thought was correct – including making a complaint to the Financial Ombudsman Service. And in saying that I am not finding fault with Halifax's complaint handling as such. The point is that Halifax's acts and omissions in providing its safe custody service to Mrs M have caused her to make a complaint which ought reasonably to have been avoidable. Nor am I awarding Mrs M compensation "*for the process of having to refer a complaint to the Financial Ombudsman Service*" as such. I am awarding compensation to Mrs M for the distress and inconvenience Halifax's errors have caused her.

Halifax should therefore also pay Mrs M £100 for the distress and inconvenience its errors have caused her.

Putting things right

Halifax should pay Mrs M fair compensation of £110.

Halifax should make that payment to Mrs M direct as she has closed her share dealing account and it should do so within 28 days of being notified that Mrs M has accepted this decision. If it does not do so Halifax is also to pay 8% simple interest per year on the £110 compensation from the date of my decision to the date of payment.

My final decision

For the reasons given above I uphold Mrs M's complaint against Halifax Share Dealing Limited and direct it to pay fair compensation of £110 (plus interest if applicable) to Mrs M.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 2 December 2025.

Philip Roberts
Ombudsman