DRN-5940857

The complaint

Mr N complains Freetrade Limited unfairly closed his trading account, and this resulted in a financial loss and inconvenience.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

Mr N held a Freetrade account, which allowed him to buy and sell shares. On 29 October 2024 Freetrade informed Mr N the account would be terminated on 28 November 2024. Mr N was asked to inform Freetrade whether he would like to transfer his shareholdings to another provider, or they would be sold down by Freetrade. On 4 November 2024 Mr N informed Freetrade that he would sell his shared in his own time, and Mr N withdrew them on 7 November 2024

Mr N raised a formal complaint saying the action taken by Freetrade resulted in financial loss and extreme stress. In order to put things right Mr N thinks Freetrade should compensate him for his losses and the distress he experienced.

Freetrade reviewed Mr N's concerns and issued its final response letter on 23 December 2024. Within this letter, Freetrade explained the decision to close Mr N's account was made in line with its Terms and Conditions, and that it was unable to uphold Mr N's complaint.

Mr N remained unhappy and referred his complaint to our service. An Investigator gathered the relevant evidence, and in their initial findings Mr N's complaint was upheld. They explained that Freetrade hadn't provided enough evidence to show its decision to end its agreement with Mr N was made fairly. This led to distress and inconvenience and caused Mr N to sell his shares at a time when Mr N had no intention of doing so. In order to put things right the Investigator recommended Freetrade pay Mr N £400 in compensation.

Mr N agreed with the findings, but Freetrade provided further evidence to support its position. After reviewing this, the Investigator issued revised findings. In summary, they explained:

- Freetrade has provided evidence in confidence to this service. This new evidence shows that Freetrade reached its decision to close Mr N's account fairly.
- This means it wouldn't be appropriate for Mr N to be compensated for the losses he has claimed.

Mr N disagreed with these revised findings, explaining that he had been treated unfairly and that the decision to change the outcome of his complaint has added to his distress. Mr N says the key issue is he was unable to withdraw his funds once the decision to close his account was made. Mr N says he was sent details about upgrading his account months after it was meant to close and he could still login. Freetrade has made multiple mistakes, and it should be liable for at least £2,000 to £3,000 of compensation.

As no agreement could be reached the complaint was referred to me – an ombudsman – for a 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 appreciate Mr N was disappointed by the Investigator's opinion. I'd like to reassure Mr N that I've considered the whole file and what's he's said. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. No discourtesy is intended by me in taking this approach.

As a UK financial business, Freetrade is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. This includes establishing the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. That sometimes means Freetrade needs to restrict, or in some cases go as far as closing, customers' accounts.

Alongside this regulatory duty, the terms and conditions of the accounts, which Freetrade and Mr N had to comply with, say that it can restrict and close the account certain circumstances – this is detailed in section 27.1.

Freetrade has provided details of the review it carried out of Mr N's account and the evidence it has relied on in making the decision to restrict and then close Mr N's account. I understand Mr N would naturally want to know the information I have weighted in order to reach this finding. I am treating this information in confidence, which is a power afforded to me under the Dispute Resolution Rules (DISP), which form part of the Financial Conduct Authority's regulatory handbook. We may treat evidence from regulated businesses as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Accordingly, I have accepted information in confidence which I am not disclosing to Mr N. And the description of that information is that it's of a nature which justifies Freetrade's review and subsequent action, and which has led me to decide that it has not treated him unfairly when it closed his account.

I must also highlight that Freetrade isn't under any obligation to provide Mr N with services, and it can choose to end its relationship, in line with the account terms, just as Mr N can end its relationship with Freetrade. Ultimately Freetrade is entitled to set its own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Freetrade should have in place. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly. As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. They shouldn't decline to continue to provide banking services without proper reason, for instance of unfair bias or unlawful discrimination. Based on the evidence provided by Freetrade I am satisfied it has reached this decision fairly, taking into account its risk guidance and regulatory considerations.

A key issue for Mr N is his treatment by Freetrade once his account was terminated. Mr N says there was a delay in him accessing his funds, which resulted in losses for him. I do acknowledge the sudden closure of his account and the potential losses Mr N could've faced added to Mr N's distress at the time. The immediate closure of the account would always result in an inevitable amount of inconvenience, and this is why it is a decision that can't be taken lightly. In Mr N's case I can see Mr N was able to withdraw the funds and move them elsewhere. I therefore don't consider compensation to be appropriate due to the specific circumstances of Mr N's complaint.

Mr N has also raised concerns about the fact he received contact from Freetrade about upgrading his account and he could still log in to view his account. Freetrade has acknowledged this and says it is a system design issue. I appreciate Mr N's frustration with these administrative issues, but ultimately Freetrade had decided to restrict and close his account, and these subsequent issues don't change its position. I do acknowledge the service shortcomings he experienced would've added to his overall negative experience, but I don't consider further action from Freetrade for these issues to be necessary.

I'm sorry this isn't the outcome Mr N hoped for, and I know he will be disappointed with the decision I've reached, but I hope it provides some clarity around why I won't be asking Freetrade to take any further action or compensate Mr N.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 21 January 2026.

Chandni Green
Ombudsman