

## The complaint

Miss W complains that Financial Administration Services Limited blocked access to her stocks and shares ISA and intends to liquidate her investments to deduct US withholding tax.

While Financial Administration Services Limited is the respondent firm for this case, Miss W's dealings have been with its brand name Fidelity. For simplicity, I'll refer to Fidelity throughout this decision.

## What happened

Miss W opened a stocks and shares ISA with Fidelity in May 2020. As part of her application, Miss W disclosed that she was born in the US. However, having grown up in the UK, she did not consider herself to be classed as a US person and self-declared as such on the application.

In January 2025, Fidelity wrote to Miss W to explain a new checking process indicated that she might be a US person and subject to US tax rules. Because Fidelity's terms prevent it from doing business with US persons, it said it had placed a temporary block on her account and requested Miss W provide evidence to either confirm she was not a US person, or provide her US tax information if she was.

Miss W spoke to Fidelity over the phone, where it was established she had not formally renounced her citizenship by obtaining a Certificate of Lost Nationality ('CLN'). Fidelity determined that unless Miss W could provide a CLN, it would have to treat her as a US person. This would require it to sell her investments and deduct US withholding tax to pass on to the Internal Revenue Service ('IRS').

Miss W complained to Fidelity. She explained the cost of obtaining a CLN was extortionate and believed she would not be successful in obtaining one, as she didn't agree she had any US citizenship to renounce. She said the suspension had left her unable to manage her investments or withdraw funds. She'd also struggled to get replies from Fidelity to her messages. Fidelity rejected her complaint. It maintained its position that it could not allow Miss W to continue to operate her account, unless she provided evidence to confirm she was not a US person.

Unhappy with Fidelity's response, Miss W referred her complaint to our service. Amongst other points noted above, she explained she'd intended to invest a bonus payment she received from her employer in March 2025, causing her to miss out on her ISA allowance for that tax year and potential investment gains. She also explained that as a result of being unable to access her ISA funds, she needed to source funds from elsewhere to meet other payments.

Miss W explained she's particularly concerned that Fidelity intends to liquidate her holdings and apply US withholding tax, which she believes she is not liable to pay and will likely struggle to recover. She said the situation has caused her distress and inconvenience. She holds accounts with other providers and has not experienced the same problem.

One of our investigators reviewed Miss W's complaint and didn't think Fidelity needed to take any further action. In summary they said:

- While they empathised with Miss W, they were satisfied Fidelity had acted fairly in the circumstances.
- Fidelity's business structure doesn't allow it to conduct business with US persons. The information provided doesn't sufficiently evidence that Miss W is not a US person, which means Fidelity is reasonable in its requirement that she produce a CLN.
- It's not the role of this service to make a determination on whether Miss W ought to be considered a US person, but to reach a view on whether Fidelity has acted reasonably. Based on the evidence, they were satisfied Fidelity had acted fairly in its determination that it consider Miss W to be a US person.
- Fidelity's decision to suspend Miss W's account was reasonable in light of its regulatory obligations.

Miss W disagreed with the investigator's view. She said her main concern was that Fidelity intended to sell her investments and deduct US withholding tax, which she is not liable to pay and may be unable to recover. She felt this hadn't been sufficiently addressed in the investigator's view.

Our investigator responded to explain they'd considered Miss W's concerns, but weren't minded to change their opinion that Fidelity hadn't acted unreasonably. Amongst other things, they explained Fidelity is obligated to deduct US taxes in certain circumstances in order to comply with US law and regulation. Unless Miss W provided US taxpayer details, it may be obligated to apply US withholding tax.

Fidelity also provided additional submissions in light of Miss W's comments in response to our investigator's view. It explained that because Miss W had failed to provide a CLN or US tax information, it was required to treat the account as potentially subject to US withholding tax. Miss W had been given multiple opportunities to provide documentation to avoid the deduction of withholding tax from her ISA.

As matters remained unresolved, the complaint was passed to me to decide.

#### What I said in my provisional decision

After careful consideration of the information provided by the parties, I decided to issue a provisional decision to give both parties an opportunity to respond. I said I had reached a broadly similar conclusion to our investigator on Miss W's main concerns, but intended to direct Fidelity to pay some compensation to Miss W to acknowledge some customer service failings.

In my provisional decision, I said:

*“Was Fidelity’s decision to suspend Miss W’s account reasonable?”*

*Fidelity has a policy against offering accounts to US persons, which is set out in its terms and conditions. This is ultimately a commercial decision, which it is entitled to take.*

*I’ve reviewed the notes from the call Miss W had with Fidelity in February 2025, after she’d received its letter explaining she’d been identified as a potential US person. This indicated Fidelity had been notified by the US that some of its customers may be US persons and subject to US tax. As Fidelity’s terms don’t allow it to do business with US persons in the UK at all, it appears this notification prompted Fidelity to conduct a review of its accounts. This led to Miss W being identified as a potential US person due to her being born in the US.*

*I understand that Fidelity had previously accepted Miss W’s self-declaration that she was not a US person. However, in 2025, it seemingly made a policy decision that it required additional evidence. Given the potential implications with respect to US tax rules, which Fidelity is obligated to comply with, I think it was reasonable in the circumstances for Fidelity to apply caution in response to receiving notice that some of its customers may be liable to pay US taxes. It’s therefore my view that it was reasonable for Fidelity to require any customers it identified as a potential US person, as a result of its review, to either provide evidence to confirm they were not a US person, or provide details of their US tax information.*

*Miss W was identified as potentially being a US person due to her birthplace being in the US. I understand it is usual for anyone born in the US to be automatically granted US citizenship, regardless of whether their parents are US citizens, or if they continue to live in the country. Miss W has explained she was born in the US, to British parents and moved to the UK as an infant. While she had a US passport, this was never renewed and she was solely registered in the UK for tax purposes.*

*Miss W believes her circumstances meant she did not meet the criteria for being a US person, but during her conversation with Fidelity in February 2025, it transpired that her US citizenship had not been formally renounced as she did not have a CLN. It’s my understanding that a CLN is the standard document required to prove US citizenship has been renounced. In the absence of this document, I think Fidelity is reasonable to consider that Miss W may still have dual citizenship, despite her belief that her ties to the US were severed as a child.*

*Fidelity defines a US person as any citizen of the US, including dual citizens. I appreciate Miss W’s concern over the potential difficulty and cost of attempting to obtain a CLN, but without this, I think Fidelity’s stance that it must treat Miss W as a US person is reasonable.*

*I’ll now turn to Fidelity’s decision to block Miss W’s account and its intention to sell her investments and deduct US withholding tax. I understand Fidelity has agreed to temporarily hold off any action to liquidate Miss W’s holdings pending the outcome of her complaint.*

*Section 1.3(d) of Fidelity’s terms states:*

*“The products and services are not being offered to US persons and some*

*Investments have restrictions that prohibit US persons from having holdings in them.*

*(...)*

*We may sell your Investments and close your account if you are or become a US person and we may also inform the relevant authorities about your holdings and transactions.”*

*As set out above, I think Fidelity has acted reasonably in identifying Miss W as a US person. Fidelity has explained that US tax rules require US persons to be registered for US taxes. Further, Fidelity explained that unless it received further information to confirm Miss W’s US tax details, (or a CLN), it would be required, by US tax rules it must follow, to deduct withholding tax upon the sale of her investments. I haven’t seen anything to suggest Fidelity’s understanding here is incorrect.*

*With the above in mind, after identifying Miss W was potentially a US person, I don’t think it was unreasonable for Fidelity to freeze her account until it could satisfy itself of her citizenship status. In the absence of Miss W producing a CLN, or demonstrating an application to obtain one is pending, I don’t think any decision Fidelity makes to proceed with disinvesting her ISA would be unreasonable.*

*Additionally, in the absence of receiving US tax registration details for Miss W, it would be reasonable in my view, for Fidelity to deduct any tax it is required to pass on to the IRS to comply with its regulatory obligations.*

*I note Miss W has explained that she has not encountered similar issues with other providers. It wouldn’t be appropriate for me to speculate or comment on the actions of other firms in this decision, but it’s worth noting that the fundamental issue here relates to Fidelity’s terms preventing it from doing business with US persons. Other providers will have their own eligibility requirements.*

*Was it reasonable for Fidelity to open Miss W’s account in the first place?*

*I appreciate Miss W’s concern that the suspension and potential withholding tax deducted from her ISA savings will considerably impact her. Miss W has questioned why Fidelity enabled her to open an account in the first instance.*

*I’ve considered the information Miss W provided during the application process to determine whether it was reasonable for Fidelity to open her account. In doing so, I’ve thought about Fidelity’s regulatory obligations – particularly its duties under Principles 2 and 7 of the Principles for Businesses (“The Principles”), which requires it to conduct its business with due skill, care and diligence and communicate with customers in a manner that is clear, fair and not misleading.*

*While I haven’t seen a copy of Miss W’s completed application form, it’s not disputed she disclosed that she was born in the US. Fidelity has provided some screenshots to demonstrate information that would have been displayed to Miss W during the application. This indicates Miss W would have been required to confirm that she was a UK national only. An information icon next to this question provided additional information, which said:*

*“We are not permitted to allow investments from US persons into the funds we make available on our platform. A US person is:*

- Any citizen of the United States of America (US) – this includes dual nationals
- Any person holding a US passport regardless of residency or domicile
- Any company having a registered office in the US
- Anyone who has an obligation to pay tax to the US tax authorities on their worldwide income”.

*Fidelity said Miss W separately ticked a box to provide confirmation that amongst other things, she had read and agreed to Fidelity’s terms of agreement and was not a US person.*

*Based on what I’ve seen, it’s my view that at the time of opening her account, Miss W did not realise that she likely met the threshold of being a US person according to Fidelity’s definition. I think she completed the declarations in accordance with that belief. That said, I think the information provided on the form makes it abundantly clear that Fidelity cannot accept applications from US persons, which includes dual citizens.*

*In light of Fidelity’s clear expression of its eligibility requirement with respect to US persons, I think Fidelity acted reasonably in accepting Miss W’s declaration that she was not a US person in good faith. While it would have been aware from her disclosure that Miss W was born in the US and so likely automatically granted US citizenship, it was of course possible that Miss W could have subsequently renounced that citizenship.*

*I’m satisfied the terms were clear with respect to Fidelity’s stance on US persons. And as Miss W applied for this account as an execution-only customer – i.e. without having received advice, it’s my view that it was her responsibility to determine if the account was something she was eligible for and suitable for her circumstances. It follows that it was up to her to understand her own individual citizenship status with regard to her previous connection with the US.*

*I understand this view could appear to contradict Fidelity’s updated approach in 2025 to require proof where it had concerns a customer could potentially be a US person, but as I set out earlier in this decision, it appears this change in approach was prompted by it receiving notice from the US that some of its customers could be US persons subject to US taxes. I think it was reasonable for Fidelity to take a cautious approach in response to this notification considering its regulatory obligations and to ask customers, such as Miss W, who had a potential connection to the US, to provide further information. But that doesn’t mean its previous policy was deficient or unreasonably lax.*

*For these reasons, I don’t think Fidelity was under an obligation to question the information Miss W had given when she opened her account solely based on her place of birth, when it had provided clear information to explain it could not accept business from US persons, which Miss W agreed to.*

*Separately, I note Miss W mentioned in her complaint to this service that she was required by Fidelity to confirm her tax status on an annual basis due to her being born in the US. I’ve thought about this to consider whether there was an earlier opportunity for Fidelity to have identified that Miss W might be a US person despite her belief that she wasn’t.*

*I've not seen records of the annual declarations Miss W says she completed, but in her messages to Fidelity in response to her account being frozen, she mentioned that it was her address that had been verified each year, rather than tax details. It's therefore unclear what Fidelity's intention was for requiring these declarations, but I can't rule out the possibility these were regular 'know your client' identity checks, rather than in response to a suspicion Miss W may have been a US person and therefore ineligible to hold an account with Fidelity.*

*In any event, I think it's unlikely that any information Miss W would have provided in response to these declarations would have alerted Fidelity to Miss W potentially being a US person. I say this because Miss W has explained that she solely resides in the UK and is only registered in the UK for tax purposes. I therefore don't consider that these declaration forms would have offered any information Fidelity didn't already hold regarding Miss W's circumstances. For the reasons I've set out above, I think it was reasonable for Fidelity to accept the details Miss W provided in good faith, until it was prompted to take further action upon receiving notice from the US that it may have accounts open for US persons.*

#### *Fidelity's communication with Miss W*

*In reviewing Miss W's complaint, I've seen copies of her communication with Fidelity since it wrote to her to provide notice that it had suspended her account. I note that in making her complaint in May 2025, Miss W referenced a failure in Fidelity replying to her.*

*Miss W initially contacted Fidelity in late January 2025 to explain she wasn't able to add funds to her account due to the restriction and confirmed she wasn't a US resident. Fidelity responded to reiterate the information provided in the letter it had sent her a few weeks earlier explaining why it had suspended her account. It said this letter directed Miss W to phone Fidelity if she wasn't a US person. Miss W spoke to Fidelity in early February, where it was established her US citizenship hadn't been formally renounced. A short time later, Miss W messaged Fidelity to appeal its decision to suspend her account on the basis that she no longer had connections to the US and the cost involved in attempting to obtain a CLN.*

*Fidelity acknowledged this email in February 2025, but, based on the information I've seen, provided no further response to Miss W's reasons for appealing its decision until it responded to her complaint dated May 2025, but due to an error, did not send to Miss W until July 2025 following a further message from Miss W explaining she intended to contact our service.*

*While I understand Fidelity has said it contacted Miss W to reject her completed self-declaration form in March 2025, I can't see that Miss W received any further response from Fidelity to her message appealing its decision to suspend her account until July 2025, when she received its response rejecting her complaint. Miss W had initially expressed dissatisfaction at being unable to manage her ISA account in January 2025. Based on what I've seen, it's my view that Fidelity failed to communicate with Miss W in a timely manner, which has likely exacerbated the stress and frustration she's experienced as a result of being unable to manage her account.*

*While I've made a finding that Fidelity was reasonable in applying the suspension to her account, it's my view that its lack of response to Miss W's request to appeal its decision has unnecessarily prolonged matters for her and added to the frustration and stress she's likely experienced at being unable to access her funds. To*

*acknowledge the impact caused by its failure to communicate with Miss W in a timely manner, I intend to direct Fidelity to pay Miss W £150 compensation.*

*In summary*

*I appreciate this outcome will likely be disappointing for Miss W. I empathise with her position as she's encountered a very unfortunate situation due to no fault of her own, as it's my view she did not realise she may not have been eligible for the account when she provided declarations upon opening it.*

*However, for the reasons I've explained, I don't think Fidelity's decision to suspend Miss W's account while it attempted to confirm her citizenship status was unreasonable. Nor do I consider any action Fidelity takes to sell her investments and deduct US withholding tax unfair in the circumstances. I therefore don't consider that Fidelity needs to take any action to account for any impact Miss W has encountered as a result of being unable to add funds to her Fidelity ISA, or manage her investments during this time.*

*That said, due to the service failings I've identified above, I intend to direct Fidelity to pay Miss W £150 compensation."*

Further information provided in response to my provisional decision

Miss W responded to my provisional decision with further submissions. She said:

- She understood Fidelity's position that without a CLN it would treat her as a US person, but wanted to clarify that her primary concern related to the proposed deduction of US withholding tax from the proceeds of her ISA investments. She believes this action would leave her significantly out of pocket due to the likely difficulty she will face in attempting to reclaim the funds without a US tax identification number.
- Weight should be given to Fidelity's regulatory obligation to act with due care, skill and diligence and to treat customers fairly in determining a fair resolution to her complaint.
- It wouldn't be fair for Miss W to suffer financial consequences where Fidelity allowed her to open and operate an account despite having disclosed her place of birth at the application stage.

Fidelity responded to confirm it accepted my provisional findings.

**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 reviewed Miss W's additional submissions, I'm not persuaded to depart from the outcome I reached in my provisional decision. I'll explain why. For clarity, the contents of my provisional decision set out above, including how things should be resolved for Miss W, form part of my final decision, in addition to what I've said below.

I'd like to assure Miss W that in reaching my decision, I've given careful thought to the points she's raised, particularly with respect to Fidelity's regulatory obligations to her under The Principles, of which she has specifically referenced Principles 2 and 6. For the reasons I explained at length in my provisional findings, which I won't repeat here, I'm not persuaded

that Fidelity has acted in breach of its duties under The Principles. I also haven't seen anything to suggest Fidelity has failed to comply with any other relevant rules or standards of good practice in either accepting Miss W's application in the first instance, or in its later determination that it must treat her as a US person. Because I don't think Fidelity has treated Miss W unreasonably in this regard, it wouldn't be fair to require it to take any action.

I acknowledge that this does not resolve the unfortunate situation Miss W finds herself in with respect to the proposed deduction of US withholding tax. It wouldn't be appropriate for me to speculate on the likelihood of her being able to recover any funds that may be passed on to the IRS from the proceeds of her investments. It may well be the case that Miss W will encounter challenges here and the process of attempting to reclaim tax is likely to be inconvenient and possibly very time consuming for her. I empathise with her position and can appreciate why my decision will feel unfair to her. But without reaching a finding that Fidelity has acted unreasonably in concluding it must treat Miss W as a US person in the circumstances, I can't fairly require Fidelity to reimburse Miss W for any tax it is required to deduct in order to comply with US tax rules.

### **Putting things right**

While I maintain my view that Fidelity does not need to take any action to resolve Miss W's main concerns, I have decided to partially uphold her complaint on the basis of Fidelity's failure to communicate with her in a timely manner, which has contributed to prolonging matters for her.

To put things right, I direct Fidelity to compensate Miss W by paying her £150 to acknowledge the additional frustration caused to her by its customer service failings.

### **My final decision**

My final decision is that I uphold Miss W's complaint. I require Financial Administration Services Limited to pay the compensation award set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 7 May 2026.

Rebecca Faiers  
**Ombudsman**