

The complaint

Interactive Brokers (U.K.) Limited (IB) allowed Mr T to purchase a non-qualifying investment inside his Individual Savings Account (ISA), which caused him a loss when he was later required by IB to sell it.

What happened

Mr T invested in shares I'll refer to as 'SQM' on a number of occasions over a period of years, in his ISA account. In April 2025, IB sent Mr T a message saying that the investments were non-qualifying and that he needed to close his position in these investments. IB said that it would liquidate the position if Mr T didn't take any action.

Mr T didn't close his position within the timeframe he was given, so IB liquidated the non-qualifying investment, depositing the funds in Mr T's ISA account.

A complaint was submitted to IB by Mr T saying it is IB's responsibility to prevent purchases of a non-qualifying investment within an ISA account. Mr T said that the market value of the investment at the time of writing was significantly lower than the purchase price and if the SQM investment was liquidated, it would result in a substantial financial loss. Mr T said that IB did not permit the transfer of non-qualifying positions from an ISA account to a non-ISA account, leaving him with no viable options to address the issue.

Mr T said he was unable to get a clear answer from IB why the SQM didn't meet the HMRC requirements.

IB issued a final response not upholding the complaint saying that the non-qualifying nature of the SQM investment was identified during an internal review. Prior to this, the investment in SQM was not flagged as non-qualifying. It apologised and offered to refund all commissions in selling and subsequently reinvesting the SQM investment.

Mr T remained unhappy and referred his complaint to the Financial Ombudsman Service. He said IB had allowed him to purchase SQM shares within his ISA account on multiple occasions without ever informing him they were non-qualifying. He said that IB should have prevented these transactions at the point of purchase. Mr T said that by the time IB identified that the investment was non-qualifying, its market price had significantly dropped compared to its purchase price, resulting in a substantial financial loss when it was liquidated.

Mr T said that IB didn't allow transfers of non-qualifying holdings from an ISA account to a non-ISA account, leaving no option but to sell the shares under unfavourable market conditions. Mr T said his trust in IB's platform in identifying non-qualifying stocks was undermined.

Our Investigator didn't uphold the complaint. He considered the evidence presented and wasn't persuaded that IB needed to take any action. He said that he appreciated Mr T's concerns that IB allowed him to open the non-qualifying positions, but he had a responsibility to mitigate his position once IB had informed him of their non-qualifying nature. He believed that closing the position within the ISA and reopening the position in a non-ISA account with

no commission fees applying, as offered by IB, would've been the reasonable action to take and would've mitigated his position. By not taking this action, he didn't believe it would be fair to ask IB to make any payment to Mr T.

Mr T didn't accept the Investigator's view, saying that IB had refused his request to transfer the position to a non-ISA account and that the two week window, given to him to take action on his position was unreasonably short. He also said that the forced liquidation caused an avoidable financial loss of approximately \$12,600. Mr T reiterated that IB had allowed him to purchase SQM shares on nine occasions without warning him they were non-qualifying for an ISA. He said he didn't feel IB acted fairly by not offering transfer options, extending the timeline or offering meaningful alternatives.

The Investigator wasn't persuaded to change his opinion, so the complaint has been passed to me to make a decision.

I contacted IB as I thought it should pay Mr T some compensation for the distress and inconvenience caused by allowing him to make the non-qualifying investments in his ISA. IB agreed to this and I explained to Mr T that I thought this was a fair resolution to his complaint. Mr T didn't accept this and reiterated his previous points. As Mr T didn't accept this, I'm now providing my final decision on the matter.

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've also reviewed Mr T's supplementary statement submitted on 16 September 2025, along with Mr T's response to my contact mentioned above.

I agree with the Investigator's view of 12 September 2025 where he clearly explains why he believes IB acted fairly and reasonably when it informed Mr T that he held the non-qualifying positions in his ISA and gave him the options to close the positions and re-open them in Mr T's General Investment Account (GIA).

The Investigator considered the point Mr T raised that IB refused to transfer the position to a non-ISA account confirming that Mr T could sell his position and repurchase the holdings in the GIA, leaving him in the same position as a transfer. IB have agreed they wouldn't charge any commission on the sale or subsequent repurchase. I consider this to be a fair offer from IB because it essentially puts Mr T in the same position. I have considered what Mr T has said that this is not the same, as any gains made on the shares in the GIA would be subject to capital gains tax. But as I'll explain, I think this would have always been the position had IB not made the error.

Mr T has also raised the point that the two week period to deal with his position was unreasonable, although I believe that this still gave Mr T sufficient time to consider any options and take action before the deadline. I do not consider IB acted unfairly here.

Mr T has said that the forced liquidation caused avoidable losses, however the terms and conditions of the account allow IB to liquidate any non-qualifying positions, as detailed in the Investigator's view. Closing non-qualifying positions in an ISA is an industry standard under the HMRC rules. And transferring assets from an ISA to a GIA is not permitted because of the different tax rules that apply to the accounts. So, I do not believe that IB have acted unfairly in liquidating the position. I appreciate that Mr T feels he has lost a substantial amount of money due to IB's actions, given the price the shares were sold at. However, had

he repurchased the shares in his GIA, he would've benefited when the share price ultimately recovered.

I do, however, accept that IB shouldn't have allowed Mr T to purchase the SQM within the ISA, resulting in this non-qualifying position. So, I've thought about what would have happened, had Mr T been aware at the outset that he could not purchase these shares within the ISA. Having carefully considered this point, I do believe that Mr T would still have made the same investments outside of the ISA had he been given the correct information at the time, in view of the number of separate purchases of SQM made over the period. So, while I appreciate Mr T didn't seek to repurchase the shares in his GIA, I think that's what he would most likely have done had he been given the correct information at the time of each purchase. I do not consider IB's liquidation of Mr T's position has therefore resulted in an unfair tax liability because if he'd been given the right information from the outset, I think he would've purchased the shares within his GIA and therefore any gains would've always been subject to tax.

I appreciate that Mr T will dispute this, as he has said in his response to my recent email, that he chose to invest within an ISA specifically for its tax advantages and may have selected alternative ISA shares, ETFs or a different strategy altogether. However, I haven't seen enough evidence to persuade me that this is the more likely route Mr T would've taken, given Mr T purchased these specific shares over a number of years.

But I recognise that the failure of IB to identify the non-qualifying nature of the SQM investments before they were purchased, did cause Mr T some inconvenience and as such, I think a monetary award from IB is warranted.

Based on all the evidence submitted, I think IB should make a payment of £150 for the distress and inconvenience caused to Mr T to resolve this complaint. I'm satisfied that this is fair compensation in the circumstances.

My final decision

For the reasons set out above, I'm upholding Mr T's complaint in part.

My decision is that Interactive Brokers (U.K.) Limited should pay Mr T £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 20 March 2026.

Lee Williams
Ombudsman