

The complaint

Mr C complains that Interactive Investor Services Limited (“IISL”) took too long to credit his SIPP trading account when he instructed the pension trustees to transfer money into it. He says he wanted to buy shares and he wants compensation because the price moved against him. He also wants £500 for the distress and inconvenience caused.

What happened

Mr C instructed his SIPP trustees to transfer £24,000 to his account with IISL. Based on his experience of past transfers, he expected the money to be cleared, and he’d be able to buy shares, in around three to four working days. The money was received by IISL after working hours on 22 January 2021. It was credited to his trading account at the close of business on 3 February – a period of eight working days. When the market opened on 4 February, Mr C bought the shares as planned. But he says he lost out because the share prices had increased.

IISL said the payment had been made from an account which was different to the one it held on file for the trustees. So it needed to verify the bank details before the payment could be applied to Mr C’s account. It said the timescale was longer than it would have liked, and it sent him a cheque for £30 as a gesture of goodwill.

Our investigator recommended that the complaint should be upheld. He thought IISL caused an unnecessary delay of four days. And that, if IISL hadn’t taken so long, Mr C would have been able to trade on 29 January 2021. He concluded IISL should pay Mr C the difference in the mid-price of the shares on 29 January and the price he paid when he traded on 4 February. IISL provided us with a calculation, but it used the opening price, rather than the mid-price. The investigator thought IISL should also pay Mr C an additional £70 for the distress and inconvenience caused.

IISL didn’t agree with our investigator’s conclusion. It said, in summary, that:

- It processed the payment within the regulatory timescale of ten working days.
- A small delay was caused by the bank – it didn’t provide IISL with the information it needed. But this wasn’t IISL’s responsibility.
- IISL has an internal timescale of five working days to respond to queries. It asked for the missing information from the bank within two days.
- IISL had to check with its pensions team whether it could accept the payment because the bank account didn’t match the one used before.
- If the bank details had been the same as the one used before, it wouldn’t have had to carry out additional due diligence checks.

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.

IISL says it had to run a “due diligence check”. It told us that *“We require the payment to come from a nominated bank account in the name of the Pension trust to apply the payment to the account. If the bank details the payment has been sent from does not match the nominated bank details we hold on file, we will complete an electronic check on them details as part of our due diligence process to ensure the payment is coming from an authorised source such as a trustee or the account holder, as a PTA [Pension Trading Account] can only be credited by a person or people with authority on the account as it relates to a Pension and therefore it has limitations on how it can be credited and debited.”*

I don’t disagree that there are various rules in place and IISL was obliged to ensure the payment was from the trustee or from Mr C.

But it’s provided us with some conflicting information. It sent us copies of its records. In one place it’s recorded that, *“You currently have no nominated accounts set up”*. But its records also show account details which are described as *“nominated details”*. It also told us the payment was made from a different account to previous payments. But the pension trustees told us the same account was used on each occasion. I think it’s more likely than not that the trustees made the payment from the same account. But if, as seems likely, IISL hadn’t carried out due diligence checks on this account before, then I don’t find it was wrong to do so on this occasion.

I agree IISL completed the checks and that Mr C’s account was credited within the 10 days required by the Financial Conduct Authority’s rules.

But I need to decide whether IISL acted fairly and reasonably in the individual circumstances here, and I don’t find it did. I say that because:

As noted above, I don’t find the information provided by IISL to be consistent. I’ve found that, in all likelihood, the money was paid from the same account as previous payments, so the account should have already been verified. For that reason, I think IISL should have acted without delay.

It contacted its bank on day one to ask for the information it needed to check the account. The bank replied the next day but failed to attached the required information, which I accept wasn’t IISL’s fault. IISL says it has an internal service level timeframe of five working days to respond to any queries. But, bearing in mind it was able to contact the bank on day one, I’m not clear why, when it knew it hadn’t received the information it needed on day two, it took it until day four to re-request it.

The bank sent the information back on the same day. But Mr C’s account wasn’t credited until close of business on day eight. IISL told us it needed to carry out an electronic check. But I find it unlikely this would have taken four days to complete, unless there were any discrepancies or queries which IISL hasn’t made us aware of. And it said it needed to check with its pensions team that it could accept the payment. It didn’t do this until day seven and the check was completed the following day.

Bearing in mind Mr C had called on 27 January, 2 February and finally on 3 February to find out the reason for the delay in his money being credited to his account, I think IISL could have reasonably acted with more urgency. And IISL seems to have accepted this as, in response to Mr C’s complaint, it said the timescale was longer than it would have liked.

I agree with our investigator that IISL could reasonably have completed the required checks by day five – 29 January. I’m persuaded that Mr C wanted to carry out two share purchases

as soon as the money was credited to his account. He wasn't able to do this until 4 February. I agree with the investigator that IISL should compensate Mr C for the difference in price he would have paid for the shares if he'd been able to trade on 29 January.

I think it's fair that the mid-price on 29 January 2021 is used for this calculation. I'll refer to the shares Mr C wanted to buy as "M" and "S". When IISL calculated the loss, it wrongly used the opening price of the shares. (Although for S, it also transposed the figures wrongly.) It told us it didn't have a mid-price – but it provided all the information it needed to calculate the mid-price which is the average of the high and low prices for the day. For M shares, the mid-price IISL should use for its calculation is 440.54, and for S shares the mid-price is 1.87. IISL should provide Mr C with a copy of its calculation when it makes the payment.

Mr C has been deprived of the money because he had to pay more for the shares than would have been the case if B had acted fairly. So it's fair that IISL should pay interest at 8% simple per year on the loss it calculates.

IISL caused Mr C some distress and inconvenience – it wasn't made clear to him why the account had to be verified when it was the same one that had been used before, and he couldn't buy shares when he should have been able to. I agree with the investigator that a total of £100 is fair and reasonable in the circumstances. IISL already sent a cheque to Mr C for £30. If this hasn't been cashed, IISL may need to cancel that cheque if Mr C hasn't already cashed it.

My final decision

My final decision is that Interactive Investor Services Limited should:

1. Pay Mr C for the loss he incurred using the mid-prices of M and S shares on 29 January 2021, as outlined above.
2. Add interest to the amount it pays at 8% simple per year, from 29 January 2021 to the date of settlement. *
3. Pay Mr C £100 for the distress and inconvenience caused. For the avoidance of doubt, this includes the £30 IISL already offered.

* HM Revenue & Customs requires Interactive Investor Services Limited to take off tax from this interest. Interactive Investor Services Limited must give Mr C a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 June 2022.

Elizabeth Dawes
Ombudsman