

The complaint

Mr W complained that Interactive Investor Services Limited ('Interactive Investor') failed to transfer some of his shareholding to a third party provider ('the third party'), charged fees he hadn't agreed to and sold some of his shares to pay an overdue balance. He also said his shares had been incorrectly consolidated. He wants Interactive Investor to transfer his shareholding to the third party and waive the fees he's been charged since he originally requested the transfer. And he wants his shareholding to be increased to the number of shares he held before consolidation and before Interactive Investor sold some of his shares.

What happened

Mr W held 1,700 shares in a company I will call 'L'. He held the shares on a platform provided by Interactive Investor. This was after the platform he'd used at the time of buying the shares in 2011 had ceased providing services, and the platform he'd used after that was acquired by Interactive Investor.

In April 2017 Mr W asked to transfer his holdings in L to the third party. But the third party said it couldn't hold L shares on its platform. So the transfer was cancelled. And Mr W's shares in L remained on the Interactive Investor platform.

In November 2017 Interactive Investor notified Mr W that a corporate action would take place which would consolidate Mr W's shares in L. The consolidation meant L would issue Mr W with one new share for every ten shares he held. Generally, consolidation means the number shares will be fewer but the value of each share will be higher, so that the overall value of an individual's shareholding stays the same.

In December 2017 the consolidation took place. The number of shares Mr W held in L was reduced from 1,700 to 170.

In October 2022 Interactive Investor sold 120 of Mr W's shares in L to cover fees owed by Mr W to Interactive Investor.

Mr W complained to Interactive Investor. He said the number of shares he held in L had been reduced and he wanted his shares reinstated. And he said he'd asked to transfer his shares from Interactive Investor to the third party and he shouldn't have to pay fees for an account with Interactive Investor which he'd asked to transfer out of.

Interactive Investor said it didn't uphold his complaint. In summary its reasons were as follows:

- Mr W's transfer to the third party had been cancelled because the third party had told Interactive Investor it couldn't hold shares in L on its platform so it wouldn't accept the transfer.
- The number of shares Mr W held in L had reduced (from 1,700 to 170) in 2017 because the shares had been consolidated at a rate of ten to one.

- The number of shares Mr W held in L had further reduced in 2022 (from 170 to 50) because Interactive Investor sold 120 of the shares to cover service fees owed by Mr W to Interactive Investor.
- Interactive Investor had sent four messages to Mr W between 2019 and 2022 saying he had an outstanding balance on his account and Interactive Investor might need to sell his shares and use the proceeds to clear the balance. And Interactive Investor's terms of service said it could sell customers' investments to cover an outstanding balance.

Mr W referred his complaint to this service. He said he still wanted to transfer his shares to the third party and he shouldn't have to pay fees to Interactive Investor after it made mistakes. And he said the value of his shareholding in L had reduced by 90% due to mistakes at the time of consolidation by Interactive Investor. He also said he should still have 1,700 shares in his account. And he said L, as a company, had not been consolidated.

One of our Investigators looked into Mr W's complaint. She said she didn't think Interactive Investor had done anything wrong. She said Mr W had received the correct value for his shares when consolidation occurred, Mr W's request to transfer his shareholding had been rejected by the third party, Interactive Investor was entitled to charge fees for its service, and the terms and conditions of Mr W's account with Interactive Investor allowed it to sell some of Mr W's shares to cover a balance he owed to Interactive Investor. In relation to the value of Mr W's shares after consolidation she said the share price in L on the days before and after the consolidation showed that the value of Mr W's holding in L changed only minimally over the course of those days. And she said such changes were to be expected due to normal price fluctuations in the market.

Mr W didn't agree with the Investigator's view. He referred to legislation in the Companies Act 2006 regarding consolidation of share capital. He said the legislation was designed to maintain the value of assets paid for when the number of shares change relative to the listed stock value held on account. And he said in his case *'the financial value was depleted as well as the number of shares held on account'*.

The Investigator said the stock Mr W held had been consolidated in line with the definition of consolidation under the Companies Act 2006. And that variations in the overall value of Mr W's holding were due to fluctuations in the share price as it was traded on the market. The Investigator also mentioned that the corporate action was a decision by the provider of the shares, not by Interactive Investor. And she said Interactive Investor had done its job which was to reflect in Mr W's account any changes brought about by the corporate action.

Because no agreement could be reached, the complaint was passed to me to review afresh and make a 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.

Having done so, I'm not upholding the complaint. I'll explain why.

The purpose of this decision is to set out my findings on what's fair and reasonable, and explain my reasons for reaching those findings, not to offer a point-by-point response to every submission made by the parties to the complaint. And so, while I've considered all the submissions by both parties, I've focussed here on the points I believe to be key to my decision on what's fair and reasonable in the circumstances.

I understand Mr W wanted his shares transferred to the third party and he feels aggrieved about being charged fees for a service from Interactive Investor that he didn't want to use. However, I don't think Interactive Investor is at fault on these points.

The fact that Mr W's chosen third party couldn't accept the transfer of Mr W's shares is outside the control of Interactive Investor. I have no basis to say that Interactive Investor has acted unfairly or unreasonably by not transferring his shares to a third party who said it couldn't accept them.

After the third party didn't accept his transfer Mr W could've sought to move his shares elsewhere if he didn't want to use the services of Interactive Investor. But he didn't do that. And so his shares remained on Interactive Investor's platform. That meant Mr W was using Interactive Investor's services – because Interactive Investor was providing the platform that held Mr W's shares. And so it's not unreasonable or unfair for Interactive Investor to charge fees to Mr W as set out in its terms of service.

In relation to the number of shares in L that Mr W holds in his account with Interactive Investor, there are two reasons why the shares have been reduced in number. Firstly, the shares were consolidated in 2017. And secondly, some of the shares were sold by Interactive Investor in 2022. Having considered all of the evidence and arguments surrounding these events, I again don't think Interactive Investor has acted unfairly or unreasonably towards Mr W.

Mr W has disputed the validity of the consolidation. He said L itself was not consolidated and said Interactive Investor made a mistake in administering the consolidation. Having looked at the evidence, including the notice that Interactive Investor sent Mr W about the consolidation in 2017, I'm satisfied that the consolidation itself was a corporate action carried out by the company I've referred to as L. Interactive Investor passed on a notification to Mr W about the consolidation but it didn't initiate it and had no control of the terms of the consolidation.

The notice of the consolidation said shares in L would be replaced with one share for every ten shares held. As Mr W has said, his shares in L were reduced in number from 1,700 to 170. So I can't see that Interactive Investor made a mistake in the number of shares it showed on its platform for Mr W after the consolidation.

In relation to the value of Mr W's shares in L, our Investigator set out for Mr W that the value of his holding had changed only minimally over the days before and after the consolidation. And I agree with the Investigator that ordinary price fluctuations caused by trading on the market are likely to be responsible for small variations in the value of Mr W's holding at that time. I haven't seen any evidence to suggest the consolidation was administered incorrectly. So I can't say Mr W didn't receive the correct value for his shares when the consolidation occurred.

Finally, in relation to the sale of Mr W's shares by Interactive Investor, I think Interactive Investor has acted fairly and reasonably and within its terms of service. Interactive Investor sold 120 shares to cover fees which Mr W has acknowledged he hadn't paid because he didn't think he should have to pay them. As I've said, I think it was reasonable for Interactive Investor to charge its usual fees for the service it continued to provide to Mr W. And its terms of service allowed it to sell Mr W's shares if necessary to cover those fees.

So the consolidation and the sale of shares by Interactive Investor left Mr W with 50 shares in L, which were still held on the Interactive Investor platform. I don't think Interactive Investor has done anything wrong to bring about this situation. So I won't be asking Interactive Investor to do anything on this occasion.

My final decision

For the reasons I've set out above, my final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 19 February 2024.

Lucinda Puls
Ombudsman