

## The complaint

Mr F complained about delays and poor communication that occurred during the process of transferring various investments from his previous provider (whom I'll refer to as T) to Interactive Investor Services Limited ('IISL'). He doesn't feel that the £200 compensation IISL paid him is adequate to reflect delays and service failings it was responsible for during the transfer process.

## What happened

Mr F wished to transfer the following investments from T to IISL:

- an Individual Savings Account (ISA)
- a Self-Invested Personal Pension (SIPP)
- a personal General Investment Account (GIA).

### ISA

IISL logged this transfer on 11 February 2022 but said that as the relevant transfer forms were received with other paperwork, it took some time to review this and transfer forms weren't posted to T until 23 February 2022.

On 3 March 2022, T requested the forms via email – these were sent on 7 March 2022.

IISL received Mr F's ISA asset valuation on 10 March 2022.

On 17 March 2022, IISL identified an unsupported asset in Mr F's portfolio and advised him of the option to encash the asset in order to facilitate the transfer.

On 21 March 2022, Mr F informed IISL he wished to convert to an alternative asset he had identified. The next day, IISL sent T the valuation acceptance and Mr F's conversion request.

T proposed transfer dates for the end of March. Some assets were settled in Mr F's account on 21 March 2022. IISL chased T on 6 April 2022 and all outstanding assets were transferred and settled on 13 April 2022.

The cash balance of £1,496.48 was received and applied to Mr F's ISA on 22 April 2022.

IISL admitted to '*a slight delay in reviewing the paperwork*' for Mr F's ISA transfer and so upheld this aspect of his complaint.

### GIA

IISL needed to identify the relevant transfer authority in the bundle of documents and on 23 February 2022, the transfer request for Mr F's GIA was sent to T via post.

On 3 March 2022, T requested the forms via email – this was actioned on 7 March 2022.

IISL received Mr F's asset valuation on 14 March 2022 and identified that some of Mr F's investments could not be supported on its platform. This information was passed on to Mr F on 17 March 2022, but he was not offered any available alternatives to the unsupported assets.

IISL followed up with reminders to Mr F when he didn't provide any further instructions.

Exchanges then followed between Mr F and IISL regarding available conversion options and which assets could be transferred in-specie. On 3 May 2022, Mr F confirmed his instruction, reiterating that he had already sent this instruction on 22 April 2022.

On 11 May 2022, IISL agreed transfer dates of 16 and 18 May 2022 and confirmed this to Mr F on 13 May 2022.

IISL has admitted that it got some things wrong during this transfer and offered '*...profound apologies for the miscommunication and the confusion caused during this transfer.*'

### **SIPP**

On 11 February 2022, IISL logged and forwarded Mr F's transfer request to the scheme administrators. The valuation process involved a third party, with whom IISL was in communication over the next few weeks.

On 3 March 2022, T requested the transfer form via email. IISL actioned this straightaway and continued to chase the third party. Subsequently, IISL identified some unsupported assets in Mr F's portfolio and followed up with Mr F who confirmed his preferences for the conversions and encashment on 4 April 2022. IISL communicated this information to the third party the same day and then continued to chase up over the next few weeks.

Ultimately, transfer dates of 25 and 27 April 2022 were agreed leading to assets settling and the receipt of cash payments of £47,660.71 and £808.35 being applied to Mr F's account on 3 May 2022. IISL meanwhile continued to chase the third party regarding conversions and it has said it feels it did all it could here to facilitate this transfer.

When Mr F complained, IISL paid him £200 compensation by way of an apology for the shortcomings it identified in the way it handled the transfers.

An investigator at this service felt this was fair compensation and didn't recommend that IISL needed to do anything more to put things right. Mr F disagreed with this assessment of his complaint.

The complaint came to me to decide. I initially felt that IISL had done enough to put things right and issued a provisional decision to this effect but, on further reflection, I revised that opinion and issued a second provisional decision explaining my view that IISL needed to do more. Here are some of the main things I said.

### **What I said in my provisional decision**

'I now think it is more likely than not, on balance, that IISL's part in transfer delays had more significant impact on Mr F than I allowed for when he wasn't able to invest as quickly as he likely would have done, had the transfer completed sooner. It follows that, in these circumstances, IISL should be responsible for paying redress for any investment loss that he suffered as a result of service failings it was responsible for.

As Mr F has said that he isn't complaining about IISL's handling of his SIPP transfer, I won't make any further mention of this and I will concentrate on the ISA and GIA.

IISL upheld Mr F's complaint about the way it handled his ISA transfer and admitted to 'a slight delay in reviewing the paperwork'. I don't think I need to say more about an admitted shortcoming, except that it remains unclear why it took IISL from 11 February 2022 until 23 February 2022 to process the relevant transfer forms – IISL hasn't explained clearly why the fact that these were received with other paperwork necessarily resulted in this length of time being needed to review everything and post the transfer forms to T. I consider that as the acquiring provider, there was some onus on IISL to set the pace for the transfer as far as it had control of the timetable. So its failure to action the matter as promptly as I think it ought to have been able to do was a serious failing in the service it provided on this occasion.

IISL has also acknowledged shortcomings in the way it handled Mr F's GIA transfer and in particular, admitted it failed to offer Mr F any available alternatives to the unsupported assets. I think Mr F was entitled to expect IISL to do more. The Financial Conduct Authority ('FCA') has set out Conduct of Business Rules which require IISL as the receiving platform to take all reasonable steps to give effect to Mr F's transfer instructions (COBS 6.1H).

I've also kept in mind that the FCA's Principles for businesses set expectations of conduct and service, under headings which include 'Customers' interests' which requires a firm to pay due regard to the interests of customers and treat them fairly. And 'Communications with clients' which obliges IISL to pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

Keeping all this in mind, I think it's fair to say IISL let Mr F down when, having identified that some of Mr F's investments could not be supported on its platform, it initially passed on this information on 17 March 2022, without any meaningful support or guidance.

I've taken into account that IISL has said that as it didn't hear back from Mr F, it sent him reminders on 28 March, 5 and 14 April 2022 and it wasn't until 22 April 2022 that Mr F spoke to one of IISL's customer service representative. But it's clear that Mr F had himself been researching his options – he provided IISL with information regarding conversions he had identified for the unsupported assets. This prompted a response, sent the same day, with a list of available conversions and a list of four assets for which there were no available conversion options. Had IISL been in communication with Mr F about this issue sooner, as I think it ought to have been, I don't think it's likely that it would've taken over a month to get to the point where Mr F was in a position to be able to make an informed decision on conversion options.

I don't need to go into details as IISL isn't disputing this point, referring to 'miscommunication' and 'confusion' on its part. But I've taken into account that IISL didn't handle the ensuing correspondence with Mr F about conversion options as capably or efficiently as I think Mr F was reasonably entitled to expect. Very briefly, there was disagreement over whether IISL had correctly identified two of the four assets it had said couldn't be converted. IISL subsequently confirmed that one of these assets could be transferred in-specie while the other would have to be converted. This exchange took place over a five day period (between 25 and 29 April 2022). It is just one example illustrating how what might otherwise have been a relatively short period of delay on its own, nevertheless cumulatively added significantly to the overall time taken.

Mr F's frustration is evident from his 3 May 2022 communication when he had to repeat an instruction he'd sent a couple of weeks earlier – further adding to the overall delay in the transfer process.

So, given that IISL has acknowledged it was responsible for shortcomings in the service it provided, and the failings I have identified contributed in no small part to the length of time it took for the ISA and GIA transfers to complete, it's fair and reasonable to expect IISL to pay redress for any financial loss arising, at least in part, from the way it handled the transfer of these two assets.

I've thought first about investment loss. Mr F expected the transfer of his ISA and GIA to complete within a reasonable timescale. He himself has acknowledged that he doesn't want compensating for the first two months of the transfer. He'd made his in specie choice knowing it might take a month or two to complete and says he intended to amend his holdings after that.

Mr F was entitled to hold a reasonable expectation that an in specie transfer shouldn't take more than a couple of months.

I've also kept in mind that:

- Mr F has clearly and consistently explained why he wanted to move to a new provider and what his investment plans were
- he explained he wasn't happy with the performance of his funds and wanted to take control of the investment decisions himself and he needed to transfer to IISL to do that
- Mr F says he intended to gradually move his holdings into a more consolidated strategy of tracker style passive funds
- I find that Mr F instructed this transfer in large part to allow him to change his investment holdings
- I've no reason to doubt what Mr F has said about his investment intentions and find that what he's said is plausible. In support of this, I have noted that he put his stated plans into action just as soon as he was actually in a position to do so and trading conditions were right for him
- I now consider all this amounts to persuasive evidence that supports me making a finding that it's likely Mr F would have invested earlier, had the transfer completed sooner, which would have happened but for unreasonable delay which IISL was at least partly responsible for (and has admitted) causing.

All in all, this leads me to conclude that Mr F is now in a different position, compared to the position he'd be in had the transfer gone through quicker. So, it follows that IISL should share some responsibility for putting things right if what happened has resulted in any investment loss.

I've thought carefully about the best way to approach the issue of financial loss here, given that it's uncertain what exactly Mr F would've done had the transfer completed sooner and within a reasonable timescale. I accept that what I'm proposing is imperfect but what I'm suggesting is a broad brush approach to finding a fair and reasonable outcome here that reflects the respective interests of all parties concerned.

I've thought about what Mr F did in fact do after the transfer completed and whether it would be a fair proxy to put him in the position he'd be if he'd made all the same sales and purchases, but sooner. I don't however think that is the best way to approach fair redress as it supposes that Mr F would've traded the same way – and I don't know if that's likely. He told us his decisions were very '...in the moment' and based on market conditions at the relevant time, and he sold down the funds after the transfer over a few months, not all at once. So realistically, he might well have invested quite differently had the transfer completed sooner – and it's impossible to know what those investment decisions would likely have been.

As I can't be certain what exact funds Mr F would've sold and bought, I am suggesting what I think is the fairest way to restore Mr F fairly to the position he'd be in, but for IISL's poor service on this occasion.

I'm persuaded his overall intention was to put his money in tracker funds and other generally medium risk '*lifestyle*' funds (as he describes them).

Given Mr F's plans for his money and his investment objectives, I consider that the usual FTSE UK Private Investors Income total return index (known prior to 2017 as the FTSE WMA Income Index benchmark) is a reasonable basis of comparison for the purposes of working out the likely investment return he'd have made. This index is a set of calculations that demonstrates performance of various asset classes. It is diverse, transparent, used industry-wide and adjusted quarterly. I'm using this to reflect the fact that this is the sort of return Mr F would've got with some similar risk to his money in the sort of investment he favoured. So IISL should compare that to his actual investment performance from 11 April 2022 to when the transfer completed and work out if this shows any investment loss.

I've chosen this date, some two months after Mr F initiated the transfer process, because, like Mr F, I think this would've been a more than reasonable timescale for how long the transfer should have taken. In other words, had there been no delays, I think this is the point at which Mr F would have likely had his investments with IISL.

IISL wasn't responsible for all the delays here – part of the reason the transfer took so long was due to the way the ceding provider handled its end of the process. That's the subject of a separate complaint so I don't need to say much more here. But I do need to decide how to apportion responsibility for any investment loss that is identified.

There was admitted culpability on both sides – each had a duty to handle their side of the transfer with due expedition and it's clear (from what I've said above) that didn't happen. I don't think this calculation is susceptible to a strictly mathematical formula – there are simply too many unknowns. Splitting any investment loss equally between the parties is a rough and ready approach, but in the spirit of reaching a broadly fair outcome here, I think it's reasonable.

In terms of compensation for non-financial loss, IISL has already paid Mr F £200. I appreciate why Mr F feels this isn't enough. But, keeping in mind that this payment reflects the trouble and upset he suffered as a result of the delays and shortcomings in the service IISL provided to him on this occasion, bearing in mind he doesn't have any complaint about the SIPP transfer, I consider this amount is broadly fair and reasonable.'

### **What the parties said in response to my provisional decision**

Mr F said he noted and welcomed what I'd said and although he believes he would have remained in cash whilst the market was dropping in April 2022, he understands it is difficult to be sure and agrees the proposal to use the FTSE UK Private Investors Income total return index as a benchmark.

IISL told me it had nothing further to add.

### **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'd like to thank both parties for all the information that has been provided about this matter. Given that I've not received any further evidence or comment that changes my mind about this complaint, I confirm the conclusions I reached in my provisional decision.

## Putting things right

### For the ISA and GIA

Compare the performance of Mr F's transferred investments with that of the benchmark shown below and pay half the difference between the fair value and the actual value of the transferred investments. If the actual value is greater than the fair value, no compensation is payable.

IISL should also pay interest as set out below.

Benchmark	From ("start date")	To ("end date")	Additional interest
FTSE UK Private Investors Income Total Return Index;	11 April 2022	Date the respective transfers completed	8% simple per year on any loss from the end date to the date of settlement

Income tax may be payable on any interest awarded.

**Actual value** - This means the actual the investment was worth at the end date.

**Fair value** - This is what the investment would have been worth at the end date had it produced a return using the benchmark.

IISL may wish to liaise with T when carrying out the above calculation as it will be responsible for working out its half share of the redress owing to Mr F.

### My final decision

I uphold this complaint and direct Interactive Investor Services Limited to take the steps I've set out above to put things right for Mr F.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 6 March 2024.

Susan Webb  
**Ombudsman**