DRN-4581839

Financial Ombudsman Service

The complaint

Mr R complains that Interactive Investor Services Limited (trading as '*Interactive Investor*' and referred to in its terms of service as '*IISL*') failed to obtain the best price when executing his market order for the sale of some of his shares. Mr R believes that he has suffered a £150 loss, and he wants IISL to compensate him for that amount.

What happened

Mr R holds a stocks and shares ISA with IISL. On 25 May 2023, he placed an online trade order to sell 100,000 shares via IISL's platform. At the time of the request (4.01pm) he was unable to obtain an electronic quote, and instead was supplied an indicative quote for a market best order of between 5.6p and 5.7p per share; this was the touch price at the time. After commission charges, Mr R had expected to receive £5,594.

The order was executed at 4:06pm, and Mr R received £5,544 after commission. The trade was executed at a price of 5.465p per share. He therefore complained to IISL the following day and asked it to make good the difference.

IISL rejected the complaint on 6 June 2023. It said it had completed it in accordance with its guidelines and it had obtained the best possible price at the time of the trade.

Mr R brought his complaint to this service. He explained that he was led to believe he had undertaken a live quote. It was his view that there must have been a glitch in IISL's system or otherwise some form of malpractice; so, the order should have gone through as promised.

An investigator reviewed the complaint, but she did not think it ought to succeed. She was not persuaded that the quoted £5,594 was a guaranteed amount due to the large quantity of Mr R's order - IISL's terms of service set out how size of the order was one factor which could affect execution. She concluded, in summary, that IISL executed the order correctly by providing Mr R with the best price it could achieve for a market best order. So, our investigator didn't believe it needed to do anything more.

Mr R disagreed with our investigator. He said he had experienced the same issue with IISL previously, and he did not agree it had acted fairly or in his best interests. He asked for his complaint to be referred to an ombudsman. IISL didn't have any further comments to make.

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 the evidence from both parties carefully, I do not believe that this complaint should succeed. I realise this won't be what Mr R has hoped for. However, I agree with the outcome reached by our investigator, for principally the same reasons.

IISL provided terms of service as well as a Best Execution Disclosure document to Mr R. It confirmed how, when handling orders, it "*must take all reasonable steps to achieve best* *execution taking into account the execution factors within the meaning of the Financial Conduct Authority rules*". Those rules require a business executing orders at market best to meet certain listed obligations including taking account of the price, speed, size and cost of the trade. I note IISL set out all of the regulatory considerations in the Best Execution Disclosure document that it supplied to Mr R.

Mr R placed a market order expecting to receive the best price. I appreciate he has concerns regarding the price at which the shares were sold and I've given careful thought about what he's said. However, placing an order "*at best*" does not mean the best price quoted on that particular day will be attained. Instead, it means the best price quoted at the time the broker went to the market – which ought to be within a reasonable time of the order being placed.

Accordingly, this was confirmed to Mr R at the time. Though I appreciate he believes a glitch occurred, IISL has been able to provide screenshots of the information Mr R was given.

When Mr R placed his order, IISL could not complete a live quote. It confirmed that "*we have been unable to obtain a live quote at this time. You can continue with your order at market best and one of our dealers will attempt to manually execute your order, or you can amend your instruction and submit a limit order*".

Mr R did not select a limit order – and that was a matter of his choosing. IISL's service is undertaken on an execution only basis, and it was for Mr R to make his own trading decisions. If he had wanted to ensure his shares were not sold until they had achieved a stated price, he could have utilised this option. However, he proceeded with the market best order, and IISL's system gave a confirmation which said:

> "***Important** – please note that your order will be dealt with as soon as possible at the best available price, which may differ from the indicative price shown above*".

I am satisfied that IISL placed Mr R on clear notice that his market order would be dealt with as soon as possible at the best market price – but that this price was *not* guaranteed; IISL had confirmed how the execution price may differ from an indicated 5.6p to 5.7p per share.

The reason for this was because Mr R was trading particular shares in a notably large quantity. When trading in large quantities, it is not always possible to get the touch price; and Mr R's order was ten times the normal market size of 10,000 shares. Size is one of the best execution factors that IISL was bound (by both regulatory rules and its own terms of service) to consider when executing the order.

With this in mind, I've reviewed the steps taken by IISL to get the best possible price at the time. It has provided its trade audit log and evidence of two calls placed to market makers within the five minutes before executing the order. Having done so, it sold the shares for the best of the two prices, with the other quote for Mr R's trade coming in at 5.412p per share.

I consider IISL has provided evidence that it sold the shares at the best possible price at the time. Therefore, I'm persuaded that it dealt with the trade fairly and in line with its obligations. Based on the type of order, I wouldn't expect it to have waited to see if the price improved. It was the best price at the time for the quantity of shares Mr R wished to trade.

I am also mindful that IISL acted in accordance with its terms of service which say:

> "*3.18 Limit Orders, Stop Orders and Market Best Orders*
>
> > *3.18.1 We will try to execute and contract (i.e. post the trade to your account) Limit Orders, Stop Orders and Market Best Orders as soon as practicable but*

market conditions and internal controls can affect the time it takes to execute and contract such orders and all orders are executed in due turn. We cannot guarantee that a Limit Order or a Stop Order will be executed even if the limit or stop price is reached. We do not accept any liability for any actual or potential loss you may suffer if there is a delay in execution or contracting."

This would not cover situations where IISL had incorrectly delayed a trade, for example due to a mistake – but I am not persuaded that IISL made any identifiable mistakes or otherwise acted unfairly or unreasonably in executing Mr R's market best order.

Whilst I understand Mr R feels strongly about this matter, I can't conclude that IISL failed in its duty of care to act in his best interests. Overall, I'm satisfied that IISL dealt with Mr R's instructions to trade reasonably and I'm persuaded that it promptly endeavoured to obtain the best possible market price for his order at the time. I therefore do not agree that this complaint should succeed.

My final decision

For the reasons I have outlined above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 11 March 2024.

Jo Storey
Ombudsman