

## The complaint

Mr H complains that Citibank UK Limited removed three of his investment holdings from his account and has allowed the US Treasury to seize one of those holdings.

## What happened

In 2022 Citibank let Mr H know that they were closing his account, so Mr H arranged to transfer his holdings to a third party. However, three of his depository receipt (“DR”) holdings in Russian companies - Gazprom, Lukoil and Sberbank - were unable to be transferred – though Mr H was initially told they could be. Citibank explained they were blocked by the central depository and couldn’t be transferred or sold, due to the sanctions that have applied since Russia invaded Ukraine. So, Citibank agreed to allow his account to remain active to hold these assets.

On 6 September 2023 Mr H logged on to his online account and couldn’t see his DRs in the three Russian companies. He asked Citibank about this and on 18 September 2023 Citibank confirmed that the Gazprom and Lukoil DRs had mistakenly been segregated away from his account. However, they said the Sberbank holdings had to remain apart, due to the impact of the US Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) sanctions.

Mr H complained about this, as he was unhappy that all three had been removed from his oversight, and he thought the US had seized the Sberbank DRs. He had bought them in a UK account and questioned how the US had any jurisdiction over them, in order to tell Citibank what to do with them.

Citibank explained they were required to comply with various regulations – not just UK ones. Due to the US sanctions put in place following Russia’s invasion of Ukraine, Citibank felt they needed to ensure that the Sberbank DRs were not transacted in, against those sanctions. To ensure oversight of the assets, they’ve chosen to segregate the Sberbank holdings. They told Mr H that unless he receives a license from OFAC, they won’t be able to transfer or arrange transactions of those DRs until they are no longer sanctioned, at which point they would be moved back to his main account. They didn’t uphold the complaint.

Mr H remained unhappy and brought the complaint to our service. An investigator considered the complaint and upheld it – he said that:

- Citibank gave Mr H incorrect information about his ability to transfer his DRs in August 2022 as they ought to have known they couldn’t be moved.
- He was glad Citibank weren’t charging Mr H for the account, especially as it had been their decision to close it.
- Citibank didn’t tell Mr H that they had segregated the assets, which caused confusion and concern.
- He thought it was reasonable that Citibank had sought to comply with US sanctions, particularly as the Sberbank DR was issued by an American depository.
- He felt Citibank should pay Mr H £200 for the distress and inconvenience caused.

Citibank didn't agree – they said that it wasn't their process to notify customers when assets are blocked due to sanctions. Mr H also didn't agree, primarily because he strongly feels Citibank shouldn't be applying US sanctions where he bought and held the DRs in the UK. As no agreement was reached, the case has been passed to me for 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.

It's not disputed that Citibank gave Mr H incorrect information about his ability to transfer the DRs to another business. Nor is it in dispute that Citibank incorrectly segregated the Gazprom and Lukoil DRs. I've taken those two errors into account when considering the compensation Citibank should pay for the distress and inconvenience they've caused Mr H.

I consider there are two questions I need to answer – firstly whether it is fair and reasonable for Citibank to have segregated Mr H's Sberbank DRs, and if so, whether they treated Mr H fairly and reasonably when carrying out that segregation.

Mr H is under the impression that Citibank has allowed the US to seize the DRs. However, this isn't the case - I understand that the Sberbank DRs are still recorded in Mr H's name – they are simply ringfenced away from his account, so he has no visibility of them online. They have not been seized by the US Treasury and they remain with Citibank. From the evidence I have, Citibank has not told Mr H that the assets were taken by the US – just that they were being ringfenced away from his account.

Due to the sanctions imposed globally – including those by the UK, EU and the US - Citibank took what they consider to be reasonable steps to ensure proper oversight of the DRs and to help them to act in line with the various sanctions. In order to make a finding on whether this is fair and reasonable, I've carefully considered the following factors:

- Sberbank has been one of the most heavily sanctioned companies since 2022 – not only by the US but by the UK too.
- It isn't just the OFAC sanctions that Citibank is seeking to adhere to – though I appreciate those are the ones that have been discussed most throughout this complaint.
- Even if the DRs were held in Mr H's account, he wouldn't be able to sell them in that account currently due to sanctions imposed by the UK.
- Although Mr H bought the DRs in the UK and holds them in a UK account, I don't think it's unreasonable that Citibank is considering the OFAC sanctions alongside those imposed by the UK and EU. This is because I generally would expect firms to take steps to understand any laws that might impact an asset they hold on behalf of a customer – even if those laws are from outside the UK.
- A firm is entitled to take reasonable steps to mitigate any potential risks to itself – and Citibank perceive that there is a potential risk of breaching the global sanctions, and so are taking steps to mitigate that risk by ringfencing Mr H's Sberbank DRs.
- Citibank felt they needed to make sure that the Sberbank DRs were not transacted in, to comply with the sanctions and to ensure oversight of the assets. To do this, they've chosen to segregate and block the Sberbank holdings.

Overall, I am satisfied that it's fair and reasonable for Citibank to choose to segregate these particular DRs away from Mr H's main account, given the above points. It's fair and reasonable for Citibank to have systems and controls in place to ensure compliance with all

rules and regulations, including sanctions. The segregation of the Sberbank DRs seems reasonable and proportionate given the risks posed by the sanctions.

Though I appreciate this has caused Mr H concern as he no longer has direct oversight of them via his account, I've noted that Citibank has told him they can provide him with information about them when he asks for it. I'd expect Citibank to do this, and I'm glad they've already explained that they will to Mr H. Essentially, the only thing that has changed is the way Mr H is able to get information about these DRs – instead of being able to see them in his online account, he needs to ask Citibank for information about them.

So, this brings me to the second question – whether Citibank treated Mr H fairly and reasonably in the way they segregated the DRs. Citibank didn't tell Mr H that they were doing this, either before or after it took place. Mr H was told the full reasons around a month after the DRs were removed from his account I'm not persuaded this is fair and reasonable – they ought to have made him aware that they were taking this action. It was foreseeable that Mr H would be shocked to discover them missing from his account, and I am surprised no communication was sent by Citibank about this until Mr H raised it.

Citibank has said their process is to not inform clients when their assets are blocked due to sanctions. However, this wasn't just a case of the asset being 'blocked' – it was removed from Mr H's account and oversight. Regardless, I can't see that there was any risk to Citibank in telling Mr H about the blocking and segregation of the Sberbank DRs. Citibank has a duty to consider the information needs of customers and pay due regard to customer's interests. I'm not persuaded that Citibank took reasonable steps to do that here as they don't appear to have considered the impact on Mr H at all.

So, I'm satisfied that Citibank didn't treat Mr H fairly and reasonably in the way they went about segregating the DRs – they ought to have told him about the action they were taking. In not doing so, they caused Mr H shock and confusion when he discovered they weren't in his account.

Taking this into account, along with the two errors set out above, I'm satisfied Citibank should pay Mr H compensation for the distress and inconvenience caused here and that £200 is a fair amount to reflect the impact of Citibank's errors.

### **My final decision**

I uphold the complaint. Citibank UK Limited should pay Mr H £200 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 26 July 2024.

Katie Haywood  
**Ombudsman**