

The complaint

Mr O complains that AJ Bell Securities Limited trading as Dodl by AJ Bell (“AJB”) has failed to correctly execute an instruction he provided for the purchase of shares via his Lifetime ISA (“LISA”).

What happened

I issued a provisional decision on this complaint last month. In that decision I explained why I thought the complaint should be upheld and what AJB needed to do to put things right. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

Mr O holds a LISA with AJB via its Dodl platform. Dodl offers consumers a low-cost dealing service by amalgamating any orders it receives during a day, and placing a single trade in the market. Dodl says that it uses a third party to place the required trades in the market.

Mr O has faced problems with the execution of three trades that he has placed. On each occasion he has instructed the purchase of a single share. But when the trade has settled in his account, two shares have been purchased, and the corresponding value of both shares has been taken from his cash account. This complaint is only in relation to the third of those problems but, as I will go on to explain, I think it necessary for me to refer to each of the instances as part of my findings in this decision.

AJB has told Mr O that the problems he has faced are as a result of the way in which its third-party supplier places orders in the market. It says the third party can only deal in even numbers of shares. So if the aggregate purchase on any day is an odd number, an additional share is purchased and randomly allocated to one of its customers.

On the first two occasions that Mr O identified the error, in December 2022 and February 2023, AJB paid some compensation to Mr O. It refunded the purchase price of the additional share (38p and £1.06 respectively) and paid Mr O £50 and £25 for his inconvenience. After the February instance AJB told Mr O that it couldn't guarantee the issue would not reoccur, and that it wouldn't be able to offer him any compensation for a future repeat.

When Mr O placed a trade in April 2023, he was again allocated an additional share and so complained to AJB about what had happened. AJB offered to reverse the purchase of the additional share, but explained it wouldn't be doing anything further in line with its previous responses. Unhappy with that conclusion Mr O brought his complaint to us.

AJB is a regulated business. So in its dealings with Mr O it needs to be mindful of the requirements placed on it by its regulator. In relation to this complaint, I think the pertinent part of those regulations can be found in section 11.2A of the FCA's

Conduct of Business Sourcebook (“COBS”). Those rules, described as best execution, require firms to achieve the best possible results for their clients when executing orders. And specifically COBS 11.2A.12 says;

“Whenever there is a specific instruction from the client, a firm must execute the order following the specific instruction.”

The Dodl service offered by AJB is designed to provide lower transaction costs for consumers. So its terms and conditions clearly set out that individual trades will not be placed, and instead orders from all clients will be aggregated and dealt following a daily cut-off point. Mr O accepts that is the case, and that the pricing of the orders he places cannot be determined until the aggregated order has been executed. But, most importantly in this case, there is nothing in the terms and conditions regarding any variation to the volumes of shares that a client might instruct are sold or purchased.

As I said earlier, this complaint only relates to the purchase instruction that Mr O gave to AJB in April 2023. But, as part of its defence of this complaint, AJB has referred to what happened on the two previous occasions when a similar additional share was added to Mr O’s LISA. So I must, in this decision, also consider what was said to him at those times.

Following his purchase instruction in December 2022. AJB told Mr O that it was investigating what had happened with the third-party provider that assisted with the daily orders on the Dodl platform. I don’t think Mr O was given any indication at that time that there was a more systematic problem that might reoccur. That information was only given to Mr O in March 2023 when he was told that AJB was attempting to resolve the problems as a high priority but couldn’t at that stage give a timeline of when that might happen.

AJB is offering Mr O a regulated service. I share Mr O’s concerns that AJB should not be offering that service if it thinks it is unable to meet the regulator’s requirements. I don’t think it should fall to Mr O to modify his behaviour to allow AJB to remain compliant. I think it is for AJB to restrict, or modify, the service it offers to Mr O and other consumers, in such a way that their instructions can be completed correctly or in line with the terms and conditions of the account.

As I have said, it is not for me to regulate or punish businesses for their conduct – that is the role of the FCA. But Mr O has made a specific complaint about the way in which his purchase instruction has been implemented. That is very much something that I should consider here.

Mr O gave AJB a specific instruction for the application of a monetary amount that would result in the purchase of one share in a particular company. As a result of its internal processes AJB actually purchased, on Mr O’s behalf, two shares. And it charged Mr O for the purchase of both shares. Whilst AJB has explained why that happened, I don’t think those reasons are as a result of something Mr O has done. They are more a reflection of an internal process that AJB has decided to operate to overcome some deficiencies in its order aggregation and third-party dealing processes.

Here it is clear that the financial impact on Mr O is relatively small. In the case of this complaint the additional share was valued at £1.06. Previously the additional shares had been valued at £1.06 and 38p. But as Mr O rightly points out, other shares that he might decide to purchase could have much higher prices – so the impact of AJB’s

processes could be greater. As explained before, I wouldn't expect Mr O to have to modify his behaviour if he wished to purchase a share of greater value.

I have noted that, when Mr O complained to AJB, it offered to reverse the purchase of the additional share. Whilst that is a fair response, I don't think it adequately reflects the fact that it was Mr O that needed to identify what appears to have been a deliberate error by AJB. It shouldn't fall to Mr O to request that correction – the additional share should not have been added in the first place. But in order to put Mr O back into the position he would have been, that is something that I now intend to direct AJB to do.

As I said earlier, in relation to the two earlier mistakes, AJB has paid Mr O a total of £75 for the inconvenience he has been caused. But I am strongly of the opinion that those earlier compensation payments do not excuse this further error. If anything, I think the fact that Mr O has suffered repeated occurrences of the problem increases the distress and inconvenience he has been caused. So I am currently minded that a further payment of £200 for the inconvenience this third error has caused to Mr O is fair and reasonable.

AJB continues to offer Mr O a regulated service for the sale and purchase of shares in his LISA via its Dodl platform. It is for AJB to ensure that it can offer that service to Mr O in line with its regulatory responsibilities and the terms and conditions of his product. I do not intend to give any advice to Mr O about modifying his future dealing behaviour to accommodate failings in AJB's processes.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Mr O has said that he accepts my provisional decision. AJB says that it does not agree and has provided some further comments. Although I am only summarising here what AJB has said, I want to confirm that I have read, and carefully considered, the entire response.

AJB says that its terms and conditions do not give any indication that there may be a variation in the volume of shares executed – it agrees that this should be included. But it says that following the earlier problems Mr O became aware this was how its service worked. So by continuing to use the service Mr O effectively consented to that approach as if it had been included in the terms.

AJB says that it is working to implement a fix to this problem, but it might take some time before that fix is complete. It questions whether the service remains suitable for Mr O should its operation be causing him distress. It says the financial impact on Mr O of this complaint has been minimal – just £1.06. And it says that as soon as Mr O complained about what had happened it offered to correct things. It says that my provisional findings will result in Mr O receiving compensation (across all three occurrences) of £275 when suffering no financial impact. It thinks that is disproportionate.

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.

As I set out in my provisional decision, in deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr O and by AJB. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

And I repeat my reflections on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

I've thought carefully about the additional points that AJB has raised. But they have not caused me to conclude I should alter my provisional findings on this complaint. I would however like to comment further on some of the matters AJB has raised.

As I explained in my provisional decision, AJB has a regulatory responsibility to accurately execute the instructions it receives from its customers. Whilst there is a degree of latitude in its terms for the price at which those instructions are executed, there isn't anything relating to the volumes being traded. And I think that AJB would have difficulty getting the agreement of its regulator to an additional condition that allowed it to, randomly, deal in a greater volume than a consumer had instructed (and at the consumer's cost). So I don't find any merit in the argument that, since Mr O was now aware of what might happen, he implicitly accepted that is how the service would operate. I think Mr O has a reasonable expectation that the instruction he provides will match what AJB executes.

AJB rightly says that the distress and inconvenience that may occur as a result of complaints does not always correlate to the financial impact caused. I wholeheartedly agree with that sentiment. The inconvenience to Mr O here, as a result of how AJB is treating its regulatory obligations, has no bearing whatsoever to the financial impact that I have always said is minimal. But Mr O is faced with needing to double check that AJB has correctly executed his instructions. And expecting Mr O to identify those deliberate errors and request their correction will undoubtedly cause him inconvenience, and increasing distress each additional time the problem occurs. So given this was the third occurrence, in the space of just four months, I think the compensation I am directing is entirely reasonable.

So I now think that AJB needs to put things right for Mr O as I set out in my provisional decision, and repeated below for clarity. And as I said in that provisional decision it is for AJB to ensure that it can offer the dealing service to Mr O in line with its regulatory responsibilities and the terms and conditions of his product.

Putting things right

AJB should remove the one share that was incorrectly added to Mr O's LISA around April 2023. It should refund the purchase costs of that share to Mr O to Mr O's LISA adding simple interest at a rate of 8% per annum to the amount from the date it was deducted from Mr O's LISA to the date of settlement.

And AJB should pay Mr O £200 in compensation for the distress and inconvenience he has been caused by this repeated error.

My final decision

My final decision is that I uphold Mr O's complaint and direct AJ Bell Securities Limited trading as Dodl by AJ Bell to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 13 June 2024.

Paul Reilly
Ombudsman