

The complaint

Mr J complains that Cofunds Limited (Cofunds) caused avoidable delays to the sale of his investments, leading to a financial loss.

What happened

Mr J had funds invested with Cofunds. In July 2023 he wanted to withdraw his funds and transfer them to another platform, so he could make timely investments. He said Cofunds told him it would take ten days for the process to complete.

Cofunds received Mr J's withdrawal request on 27 July 2023. The withdrawal proceeds were to be sent to Mr J's Self-Invested Personal Pension (SIPP) provider, which I'll refer to as provider M, for onward investment through an investment business I'll refer to as business H.

Mr J wanted to purchase Gilts and invest in a Private Debt fund at, or before, the end of August 2023. The Debt fund was only tradeable at each month end.

On 9 August 2023, Mr J asked provider M to check with Cofunds about his closure request. Provider M asked Cofunds for an update on 14 August 2023. And on 16 August 2023, provider M emailed Mr J to tell him that Cofunds had confirmed that the closure was still being processed and would be paid shortly. But it couldn't give him a timescale for how long this would take.

On 21 August 2023, Mr J asked provider M to chase Cofunds again about his closure request. He felt it was well behind its own ten-day target. He said:

"We need the money next 48 hours if we are to stand a chance of making an end of month transaction on new investments."

On 21 August 2023, Cofunds said it couldn't verify the Trust signatures provided. It asked for an updated signatory list. These were provided the same day.

On 22 August 2023, Cofunds said the assets were disinvested.

On 23 August 2023, provider M emailed Mr J to tell him that Cofunds had confirmed that the closure instruction would be processed that day, as the final due diligence checks had been carried out. It said that it would then take ten business days for the money to reach the SIPP account.

On 31 August 2023, Cofunds transferred £313,503.19 to provider M.

Mr J emailed provider M on 31 August 2023. He said that if the Cofunds money arrived that day, he wanted to invest £110K in the Debt fund.

I understand that Mr J missed the August 2023 trade deadline due to the delayed transfer of funds. Mr J then instructed provider M to retain £1,000 of the transferred funds to cover ongoing fees. And to forward the remaining £312,503.19 to business H. It received the funds on 4 September 2023.

Mr J then asked business H to invest £110,000 in the Debt fund at the next available trading date – the end of September 2023. He also asked it to invest £200,000 in Gilts. The remaining funds of just over £2,500 were to remain on account as cash and earn interest.

Unhappy with the delays Cofunds had caused, Mr J complained to it on 19 October 2023. He said what should've taken ten days had taken over a month. And that this had caused a number of losses, which Mr J wanted Cofunds to make good. These were:

- Losses due to slow selling of units in a falling market. Mr J felt these amounted to £6,674.51.
- Losses on the Gilt investment, which Mr J felt he should've been able to make in August 2023, but which he hadn't been able to make until 6 September 2023. He felt this amounted to £622.25.
- Losses on his investment in the Debt fund which he felt amounted to £662.10.
- Lost interest on the reduced portfolio value due to the slow selling of units in a falling market. Mr J felt this should attract interest at a rate of 5%. He felt the value of this loss currently stood at £61.26 on 19 October 2023. But noted that it was increasing daily until the settlement of his claim.

Mr J therefore felt that Cofunds should make good a total loss of £8,020 plus.

Mr J brought his complaint to this service in January 2024.

Cofunds acknowledged that it had caused delays which had led to a financial loss for Mr J. It asked business H to calculate what the financial losses on Mr J's investments were.

Cofunds issued a final response letter accepting it had caused delays. It felt that the payment of funds to provider M should've taken place on 18 August 2023, rather than 31 August 2023. And if that had been the case, the transfer value should've been £5,185 higher. This meant that £318,688.19 should've been transferred, rather than £313,503.19.

Cofunds asked business H to calculate the loss based on the funds being transferred to provider M on 18 August 2023, rather than 31 August 2023. And with the subsequent Gilt and Debt fund investments then completed commensurately earlier. After allowing for onward transmission from provider M to business H, Cofunds said that the notional investment date for the Gilts would've been 22 August 2023, and the Debt fund would've been 31 August 2023. Business H calculated that the loss due to the late purchase of the Gilts was £569.29. And that the loss due to the late purchase of the Debt fund was £696.27.

Cofunds said that the overall investment loss caused by its delays was £6,450.56. It said that as it used the most current prices available when looking at the investment loss, it wouldn't also make an interest payment. It offered Mr J this amount to resolve the financial loss complaint. It also offered him £250 for the distress and inconvenience it'd caused.

I understand that Mr J agreed to accept the initial loss identified, so £6,450 was paid into his SIPP in March 2024. I also understand that a contribution fee of £70 was deducted from the SIPP.

Cofunds told this service that it acknowledged it'd caused a delay. It said that it hadn't been able to progress Mr J's withdrawal request because the signatories on the withdrawal form didn't match with the signatory list it already held on file. But it said that its internal query about this shouldn't have taken as long as it did.

Cofunds provided a timeline about what should've happened, based on its service level agreement (SLA) for each stage:

27/7/2023 - Received request (SLA 2WD)

31/7/2023 - Due Diligence and raise query re signature list. Signature list received back same day.

7/8/2023 - Full Due diligence complete (SLA 5WD)

9/8/2023 - Sales (SLA 2WD)

16/8/2023 Sale proceeds (actual time taken 22.08.23 to 29.08.23 - SLA 5WD)

18/8/2023 - Payment (SLA 2WD)

Mr J told this service that he thought the redress Cofunds had paid him was less than it should be. He felt that the redress hadn't compensated him for the fact that his money hadn't been invested for some time. Mr J also said that there were some extra SIPP costs due to the increased number of transactions in his SIPP caused by the delay. He said this was £70. And that there'd be another £70 fee if further compensation were paid into his SIPP.

Mr J also didn't agree that the £250 Cofunds had offered him for the inconvenience it'd caused was sufficient. He said he'd had lots of hassle and extra work. He felt it should pay him at least £2,500.

Our investigator told Cofunds that it didn't appear to have considered that the additional sum of £5,185 should also have been transferred earlier. He said that the investment loss on this additional sum hadn't yet been considered. He also noted that Cofunds should refund the £70 cost Mr J had incurred. Cofunds agreed with these points.

Mr J told this service that if he'd transferred around £317K from provider M to business H, rather than £312K, he would've invested slightly more in the Debt fund. He provided evidence showing that he would've invested more. And explained that he never keeps much cash in his business H account.

After his discussions with both Mr J and Cofunds, our investigator felt that Cofunds should calculate the redress based on Mr J having invested £115K in the Debt fund, rather than £110K. Cofunds agreed to carry out loss calculations on this basis.

Our investigator issued his view on the complaint on 21 April 2024. He was satisfied that the proposed timeline of events put forward by Cofunds was reasonable. And therefore felt that the funds should've been sent to provider M on 18 August 2023 but for the delays. He considered that Mr J would've invested £5K more of his (larger) transferred funds into the Debt fund. He said this was because this would've left around £2,500 in cash, as Mr J had actually done.

Our investigator said that Cofunds had agreed to recalculate the loss on the basis he'd outlined. He set out how Cofunds should calculate the loss. He also felt that the £250 compensation Cofunds had offered Mr J for the distress and inconvenience the matter had caused him was fair.

Mr J didn't agree with our investigator. He wanted to check the outcome of the loss calculations before he accepted them to see if they were fair. He also still didn't think that £250 was reasonable compensation for the hassle the situation had caused.

Our investigator said that he'd asked Cofunds to provide Mr J with details of the calculation in a clear, simple format. He noted that the goal was that the loss calculation put Mr J back, as close as possible, to the position he would've been in but for the delay.

Our investigator still felt that the £250 compensation Cofunds had offered for the inconvenience was fair.

Mr J didn't agree that the £250 compensation was fair. He said it had taken more than seven months to sort this out. He said he'd been caused a lot of hassle and extra work. He also noted that his other outstanding issues were:

- *"The adjustment of the value of the compensation payment seeing how it was paid so many months after the event and I lost the value of that investment over that time period."* – Mr J proposed a calculation that he felt would be fair.
- He said he'd invested £6K, not £5K, in the debt fund after Cofunds had made a compensation payment. He said he'd historically been fully invested and that he very rarely carried any significant cash.
- He wanted the initial compensation payment amount to be checked.

As agreement couldn't be reached, the complaint has come to me for a review.

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 agree with our investigator that the compensation Cofunds has agreed to pay Mr J for the delays it caused is fair under the circumstances of this complaint. I know this will be disappointing. I'll explain the reasons for my decision.

Where a business has made an offer to settle a complaint – as Cofunds has done – what I have to decide is whether, in all the circumstances, that offer is fair and reasonable.

In this case, Cofunds has acknowledged that it caused a delay which led to a financial loss. It's offered to put Mr J back as close as possible to the position he would've been in but for the delay. And offered him £250 compensation for the inconvenience caused.

I first considered whether the settlement offer is fair.

Is the settlement offer fair?

In order to decide whether the settlement offer is fair, I first needed to consider whether I agreed with Cofunds' proposed timeline for what should've happened. I included the timeline in the background section of this decision, so I won't repeat it here.

Mr J considers that his withdrawal should've been possible well within the ten days he said Cofunds told him it would take.

Cofunds has explained that it should've taken two working days after receiving the withdrawal instruction to refer it to its Due Diligence team. It said that team then had five working days to complete this review. Cofunds said it then allowed two further working days for the investment sales to be placed and priced.

Cofunds said that after this, it then waits for the sale proceeds from the customer's chosen fund managers. It said that in Mr J's case this took five working days. It then allocates the funds to the customer's account and transfers it within two working days.

On the basis outlined, Cofunds said that it should've priced Mr J's investment sales on 9 August 2023. And it should've then been able to make payment on 18 August 2023.

I've carefully considered the timeline Cofunds has based these dates on. After doing so, I agree with our investigator that it is broadly reasonable. Therefore I'm satisfied that the investment sales should've taken place on 9 August 2023. In reality, the sales took place on 22 August 2023.

I acknowledge that Mr J would like the initial compensation amount to be checked. Our investigator has explained that this service isn't able to do that for him. I can see that Mr J felt that his initial loss was £6,674.51 rather than £5,185. He based his calculation on the fund values at 27 July 2023 – when his withdrawal instruction was sent to Cofunds - and 22 August 2023 when the assets were actually sold.

While I understand why Mr J feels that his assets could've been sold on the day that he put in his instruction, I can't fairly agree. As I noted above, I don't consider that the timeline Cofunds has put forward is unreasonable. Therefore, I'm satisfied that the correct dates to use for the initial loss comparison are 9 August 2023 and 22 August 2023.

While I agree with our investigator that this service can't provide a full checking service, given Mr J's desire to confirm the initial compensation payment, I've provided some additional information about why I consider that the £5,185 loss Cofunds calculated is correct.

The evidence shows that the sales should've been made on 9 August 2023. But that they were actually carried out on 22 August 2023.

Cofunds has provided this service with its calculation of the £5,185 loss. This shows that Mr J's three investments would've been sold at a total of £318,688.19 if the sale had taken place when it should've on 9 August 2023. It also shows that the actual sale proceeds of the three investments when they were sold on 22 August 2023 was £313,503.19.

Investment	Actual value at 22/8/23 (£)	Notional value at 9/8/23 (£)	Gain/(Loss) (£)
CT Univ	57,348.71	58,696.82	(1,348.11)
Jupiter Merlin	53,927.54	55,147.82	(1,220.28)
Trojan	202,226.94	204,843.55	(2,616.61)
	313,503.19	318,688.19	(5,185.00)

As I'm satisfied that the calculation has been carried out comparing values at the two dates I would've suggested, I'm satisfied that the calculation is reasonable.

I haven't however been able to check the investments themselves were correct. But I would

expect Cofunds to provide further detail on this when it completes the loss calculation I'm going to recommend. I would also expect Mr J to know whether or not these funds are the correct ones.

I can also see that Mr J feels that the proposed redress calculation doesn't allow for the fact that the compensation payment he's already received was paid so many months after the event that he lost the value of that investment over that period. He thinks a different calculation should be carried out than the one suggested to put this right. But I don't agree.

I say this because I'm satisfied that the redress our investigator has outlined ensures that the fair value will be calculated up to the date of my final decision. Therefore it will allow for the number of units Mr J should've purchased and the investment return he should've achieved but for the avoidable delays. If the loss calculation based on this fair value shows that loss is greater than the financial redress Cofunds has already paid Mr J, it will be required to pay him additional compensation.

In essence, I'm satisfied that the calculation proposed by our investigator fairly and reasonably covers any lost investment value.

I've also considered Mr J's point that he invested a further £6K, rather than the £5K assumed in our investigator's view, in the Debt fund after receiving his compensation payment.

I can see that Cofunds has already paid Mr J some compensation. I understand that it made a compensation payment of £6,450 to Mr J earlier this year. Mr J told this service that he invested £6K of this compensation payment into the debt fund in March 2024.

This is clearly £1K more than the £5K our investigator's view was based on. However, I'm persuaded that our investigator's proposed redress on this point is fair and reasonable.

I say this because although Mr J invested most of the transferred funds in September 2023, he decided to leave a little over £2,500 in his provider H account as cash. Our investigator's proposed redress assumes that Mr J would've left the same amount in his cash account if there'd been no delays. I'm satisfied that this is fair, and that any other level of redress would require the benefit of hindsight.

I finally considered the compensation Cofunds has offered Mr J for the inconvenience it has caused. I don't know whether the £250 offered has yet been paid.

Mr J said the delays had caused lots of hassle and extra work. He thinks the correct amount of compensation for this inconvenience is at least £2,500.

I can see that it took Cofunds some time to complete its final response to the complaint. I can understand that this would've been frustrating to Mr J. However, I can also see that Cofunds acknowledged it was responsible for the delays and has tried to work with the other involved parties to ensure that Mr J is put back into the position he should now be in.

I consider that the issue at the heart of this complaint has taken a reasonable effort to sort out. But I'm satisfied that the £250 Cofunds has offered Mr J in respect of this effort is reasonable under the circumstances. And is in line with what I would've otherwise recommended.

Overall, and after considering all of Mr J's additional points about the financial redress proposed, I'm satisfied that it is fair and reasonable. And that it aims to put Mr J back into the position he would've otherwise been in but for the delay.

Putting things right

My aim in awarding fair compensation is to put Mr J back into the position he would likely have been in, had it not been for the avoidable delays Cofunds caused. I think this would have meant he invested £115K in the Debt fund on 31 August 2023 and £200K in Gilts on 22 August 2023.

What Cofunds must do

To compensate Mr J fairly Cofunds must:

- Establish the notional value at the date of my final decision of the business H account had the funds (£318,688) been transferred to provider M on 18 August 2023, then £317,688 forwarded to business H to invest £200K in Gilts and £115K in the Debt fund. This is the fair value.

Any additional sum paid into the business H account should be added to the fair value calculation from the point in time when it was actually paid in.

Any withdrawal from the business H account should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I'll accept if Cofunds total all those payments and deduct that figure at the end to determine the fair value instead of deducting periodically.

- Compare the fair value with the actual value, less the redress sum already paid by Cofunds. This will establish any additional loss over and above the redress already paid.
- Mr J has also incurred a £70 contribution charge when the initial redress was paid into his pension plan. I understand that a further £70 contribution charge will be deducted if additional redress is to be paid into his pension plan - so a further £140 will need to be added to any new redress due to cover these charges.
- If there is a loss, the compensation amount should if possible be paid into Mr J's pension plan. The payment should allow for the effect of charges and any available tax relief. The compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance.
- If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr J as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid.
- If Mr J has remaining tax-free cash entitlement, 25% of the loss would be tax-free and 75% would have been taxed according to his likely income tax rate in retirement – presumed to be 20%. So making a notional reduction of 15% overall from the loss adequately reflects this.
- Provide the details of the calculation to Mr J in a clear, simple format.
- If Cofunds hasn't already paid the £250 it offered Mr J for the distress and inconvenience caused, it must pay this to him directly.

If payment of compensation is not made within 28 days of Cofunds receiving Mr J's acceptance of my final decision, interest must be added to the compensation at the rate of

8% per year simple from the date of my final decision to the date of payment.

Income tax may be payable on any interest paid. If Cofunds deducts income tax from the interest, it should tell Mr J how much has been taken off. Cofunds should give Mr J a tax deduction certificate in respect of interest if he asks for one, so he can reclaim the tax on interest from HMRC if appropriate.

My final decision

For the reasons set out above, I uphold Mr J's complaint. Cofunds Limited must take the action detailed in "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 10 September 2024.

Jo Occleshaw
Ombudsman