

The complaint

Mr W complains about Barclays Bank Plc's failure to notify him about funds that were received into his ISA. He says this has led to a missed opportunity to invest and he has lost out as a result.

What happened

Mr W has a stocks and shares ISA with Barclays. In May 2022, the ISA received a Return of Capital (ROC) of approximately £20,000 from shares he held in a particular company. Around the same time, he also received a dividend payment from the same stock. His dividend payment was reinvested to purchase further shares, but the ROC remained as a cash amount in his ISA.

Around five months later, Mr W became aware that there was £20,000 uninvested funds in his ISA. He used the funds to purchase more shares. He raised a complaint with Barclays as he hadn't been informed that the money was left uninvested. He felt Barclays should have alerted him to this so he could invest at the time it was received. He said he has lost out because the cost of purchasing more shares had risen and he has missed dividends.

Barclays responded to the complaint it didn't uphold it. In summary it said:

- Mr W had the Automatic Dividend Reinvestment facility (ADR) set up on his ISA, so it arranged to purchase more shares with the dividend received.
- It appreciated why he felt it should also have reinvested the ROC, but said this was not a facility it offered. The ADR function is only triggered when a dividend payment is received. The ROC was not a dividend so would not be in scope for the ADR service. It doesn't automatically reinvest any other cash payment received into accounts.
- As it followed the correct process in not reinvesting the ROC, it didn't think it needed to compensate Mr W for any price loss he believes he incurred.

Barclays did offer Mr W £50 as a gesture of goodwill, but he declined this. He then referred his complaint to this service for independent review.

One of our investigators looked into the complaint. She didn't uphold it. In summary she said:

- Barclays automatically reinvested dividends and not other payments received – such as ROCs.
- She was satisfied in respect of corporate events, Barclays are not required to notify customers of mandatory corporate actions.
- Overall, she said Barclays followed the correct process to reinvest the dividends received - and she didn't think Barclays had caused a financial loss due to the ROC not being reinvested.

Mr W didn't accept the investigator's findings and asked for an ombudsman to reach a decision. In summary he said it's not reasonable for Barclays not to notify him that he had uninvested funds in his account. He thinks he should have been told when the corporate action happened so he could invest the funds – but he wasn't.

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 understand that Mr W holds an execution only account – and this dictates the service Barclays provides to him. In practice this means Barclays isn't responsible for advising or recommending investment opportunities to Mr W or take any on-going responsibility for shares that have been purchased, but rather it just executes the instructions he provides.

Mr F had activated an instruction to automatically reinvest dividends he received on shares that were held in his account. This is what happened when he received a dividend payment in May 2022. But at the same time, he also received a ROC. This payment was made by the particular company he held shares in as a one-off incident where approval had been gained to make this payment. The crux of Mr W's complaint is that he wasn't notified of receipt of this payment and therefore the funds received lay uninvested in his ISA for several months. He says this caused a missed investment opportunity and he has lost out as a result. So, I need to decide if an error by Barclays has resulted in the missed opportunity Mr W describes.

Firstly, I find that Barclays acted reasonably in how it interpreted the funds paid to Mr W as part of the ROC – when taking into account the ADR function. Barclays has explained this function was for dividend income. I'm satisfied that the ROC was different to a standard dividend payment – so it was reasonable for Barclays not to treat it as a dividend for the purposes of the ADR function. So, I don't find Barclays made an error by not automatically reinvesting the funds.

I've considered the concerns Mr W has raised about not receiving the notification of the payment. Barclays say by logging on to his account he would have seen a contract note for the receipt of the ROC. It doesn't appear that Mr W did this, so wasn't aware of the ROC for several months. On the one hand I understand why Mr W thinks Barclays should have been proactive in giving him notification. But on the other hand, I'm conscious Barclays was providing an execution only service, so it's not clear this type service is something that could be expected – or that Barclays are at fault for not prompting Mr W to log on. When considering the type of service being provided, I don't find it reasonable to say Barclays was required to update Mr W of uninvested funds in his account.

I've also thought whether Barclays is at fault for not telling Mr W about the potential ROC ahead of the funds being added to his account. Barclays holds Mr W shares on a nominee basis on his behalf. In a scenario where Barclays is aware of a corporate action that requires instruction to be taken, then clearly this would require notification so that the shareholder can give that instruction. But the ROC subject to this complaint was a mandatory action, so Mr W didn't have any instruction to give. Barclays say it is not required to notify clients of mandatory corporate actions. The account terms don't cover the specific situation of a ROC being received and how this would be treated. While I appreciate that it would have been desirable for Mr W to get notification, I'm not persuaded in these particular circumstances it is clear that Barclays has made an error by not providing notification of this beneficial mandatory action.

On balance, I don't find Barclays have made an error by not providing notification to Mr W. I do empathise and understand why Mr W is unhappy that he wasn't proactively made aware that he had uninvested funds in his account – but for the reasons given I don't think the evidence is sufficient to make a finding that Barclays has made an error. It follows, I don't uphold Mr W's complaint or recommend that Barclays needs to do anything further.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 August 2023.

Daniel Little
Ombudsman