

The complaint

Mr A has complained about HBOS Investment Fund Managers Limited (trading as “Halifax”). He said Halifax made errors when he requested a transfer of his stocks and shares ISA to a third party. He said because of this, he made investment losses. He would like Halifax to repay him the losses he made.

A financial adviser has acted as Mr A’s representative throughout his complaint.

What happened

Mr A held a stocks and shares ISA with Halifax. He said he decided to transfer all cash he held in the ISA to a third party. He said he put his request in on 6 February 2023. He said he was notified by Halifax that all his investments were sold on 9 February 2023 and received confirmation of this on 13 February 2023. He said he expected the transfer to complete by 14 March 2023 at the latest.

Mr A said he received a letter from Halifax informing him of errors made and that it had reinvested his money. He said on 24 March 2024 it transferred the funds to the third party, but by this stage he had made investment losses of around £7031. He complained to Halifax about this.

Halifax said in response that it was unable to uphold his complaint. It said it could see it acted on an invalid instruction to sell Mr A’s funds. It explained that it received an instruction from Mr A to close his ISA account and transfer the whole cash balance to a third-party cash ISA. It said, this wasn’t a valid instruction and that either it would need to receive a written instruction if Mr A wanted a cash withdrawal or receive a transfer request from the third party if Mr A wanted to keep the tax efficiency of an ISA.

Halifax said the instruction was processed by it in error and it wrote to explain this to Mr A on 14 February 2023. It said as per its standard procedure Mr A’s investments were reinstated on 13 March 2023. As it had not received a valid instruction, Mr A’s account was reinstated as if the deal was never placed. It said as it made a mistake it wanted to put this right and for the inconvenience it said it would pay £100 compensation.

I issued a provisional decision on this complaint in March 2024. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

“I have independently reviewed Mr A’s complaint and have come to the same outcome as the investigator. I will explain why.

To recap: Mr A wanted to transfer the total funds from his stocks and shares ISA to a cash ISA with a third party. He put in a request in writing and sent it to Halifax, for it to do this. Halifax then duly sold all his investments but then after it did, it realised that the instruction provided by Mr A was incorrect. In order to transfer the funds to another provider, and not lose the tax efficiency benefits, Mr A needed instead to put in a request with his new provider, the third party.

I have looked into this and can see that Mr A had put in a request, as if he was withdrawing his funds. He wrote to Halifax asking for it to sell his funds and transfer them, but he needed to instead contact his new provider and request the transfer with them.

Halifax said it made a mistake and sold Mr A's investments. It said, what it should have done was reject the request and inform Mr A that he needed to contact his new provider. It didn't and instead it sold the investments. Halifax wrote to Mr A on 14 March 2023 and said in a letter that "further to the erroneous sale of shares on 9 February 2023, it can confirm that it has now placed deals to buy back the shares sold in error."

Halifax stated that Mr A had not suffered any financial disadvantage due to its error. It had bought the same units back on his investments and had restored his account as if its error hadn't happened. Mr A then arranged for his new provider to put in a request and on 24 March 2023 and the money was transferred. What had happened in the intervening period between the initial erroneous sale of Mr A's investments on 9 February 2023, was that his investments had fallen in value in the market, so he received around £7031 less.

I can see that in order to transfer his funds successfully to a third party, Mr A would have needed to put in a request with the new provider and not Halifax. This is something that I think is standard and generally accepted amongst ISA providers as being the process that needed to happen for a transfer involving a stocks and shares provider.

Halifax made a mistake and when it received Mr A's request, it should have then rejected it and then contacted him to advise as to what his next steps would be, this being to contact his new provider. It didn't do this and made a mistake in selling Mr A's investments. On discovery of the error, it did then look to put Mr A back in a position as if it hadn't made the error. It bought back the units and then advised Mr A about what to do next.

So, if Halifax hadn't made the error, then Mr A would have been in the same position. He would have needed to contact his new provider and arrange for it to request the transfer. So, I don't think in any circumstance where Mr A kept the tax efficiency of his funds, that he would have been in a position where the proceeds to be transferred would have been of the value that they were sold erroneously for on 9 February 2023. This is because Mr A's initial request was incorrect, so he would have needed to still contact his new provider and this would have taken time, and in this time his investments would have fallen in value, as they did.

I don't think Halifax are responsible for Mr A's investments fall in value, as the issues with his transfer request were being resolved. That said, it did make an error and by its own admissions, it shouldn't have sold the investments, but I can see it corrected its own error in quick time and then carried out the correct transfer request in a reasonable amount of time also. It offered to pay £100 to Mr A for the distress and inconvenience it had caused by making the error. I think this is fair and reasonable and similar to the sort of awards I have made in complaints similar to this one.

Mr A's representative said in a recent submission that Mr A contacted Halifax and during the call he was not given the correct guidance by it. They said if Halifax had told Mr A the correct procedure on the phone, then the losses Mr A incurred would not have happened. I have already concluded that I don't think that would have been the case. It would have taken longer for Mr A to request a transfer, than if he had wanted to make a withdrawal. And his investments would have fallen in value over this time. But our service did request the call recording, so I could hear what was said between the parties about this.

I have been able to listen to a recording of the call that took place between Mr A and Halifax on 6 February 2023, and I have heard what was said. I heard the representative from Halifax explain to Mr A the procedure clearly on a number of occasions.

The representative informed Mr A that he would need to write to Halifax if he wanted to withdraw his funds from his ISA account. About halfway through the call, she then said that if he did this, he would lose his ISA status, and said to Mr A that he could go to another ISA provider and request a transfer. She said to Mr A that if he did that, the new provider would then arrange the transfer and send in forms to Halifax and between them they would carry out the transfer. She said, "What they will do is fill out forms and send them up to us, then we will sell the shares, and then pay the money out to that provider".

Mr A looked to clarify the process with the representative, and I heard them explain again on a number of occasions that Mr A needed to contact their new provider and make their request with them if they wanted to carry out an ISA transfer. I am satisfied on hearing this call recording, that the correct procedure was explained to Mr A. So, I can't agree with Mr A's representative that Mr A was not given the correct guidance by Halifax.

In conclusion, Halifax made a mistake in that it sold Mr A's investments when it received an incorrect request from him. It rectified its mistake and reversed what it had done. Mr A was given the correct advice during the initial phone call, and in a letter provided after the mistake had been reversed. It paid Mr A £100 compensation for this. Mr A then contacted his new provider and the correct process then took place. I don't think Halifax are responsible for Mr A's investments fall in value as the transfer took place, for the reasons I have already given. It follows, that I don't uphold Mr A's complaint and don't require Halifax to do any more than what it has already done.

I appreciate that my decision will be disappointing for Mr A, and I acknowledge the points made by Mr A and his representative in the submissions provided. But based on everything I have read and the findings I have given, I don't uphold Mr A's complaint."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Both parties didn't respond by the deadline.

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.

Neither party has responded so there isn't anything further that I feel I need to comment on or that will change the outcome of this complaint. So, because of this, I don't see any reason to depart from my findings within my provisional decision. So, I don't uphold Mr A's complaint.

My final decision

My final decision is that I don't uphold Mr A's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 14 May 2024.

Mark Richardson
Ombudsman