

The complaint

Mrs W complains that when she encashed her stocks and shares ISA with HBOS Investment Fund Managers Limited (HBOS), the amount she received was less than the valuation she had obtained online shortly before encashing her holding.

Mrs W is represented by Mr W in this matter.

What happened

Mr W says that when Mrs W encashed her stocks and shares ISA with HBOS ‘...*the investment figure I obtained online (to confirm the amount we would receive) and which was confirmed a few minutes later to my wife on the phone was different to the amount we received 4/5 days later... The difference was £135.96.*’

HBOS did not uphold the complaint. It said that when Mrs W had telephoned to instruct it to encash her ISA, its representative had explained to her the amount she would receive would be calculated based on the **next** available share price, as the fund she was invested in was forward priced.

Mr W was not satisfied with HBOS’s response and referred the matter to this service.

Having carefully considered the information available our investigator said he didn’t think HBOS had acted incorrectly or treated Mrs W unfairly.

He noted that the terms and conditions for Mrs W’s ISA set out that HBOS’s ISA funds were forward priced. He also said he was satisfied that, when Mrs W called to instruct HBOS to encash her ISA, it had explained that the amount she would receive would be based on the share price at the next valuation point and he noted that it had explained that the money would be paid to Mrs W’s bank account on 24 August 2022.

Mr W did not accept our investigator’s view. He said, in summary that he felt our investigator had ‘... *totally ignored the practicalities of the transaction*’. Mr W explained his position as follows:

When you make an investment you expect to be in control of that investment not the Bank, but if the bank are allowed to give the investor False and incorrect information (Which you appear to agree with) the investor cannot have control of his/her investment.

In this technological age for the Bank to give false and out of date values on investments is appalling and unacceptable. What you receive on encashment should be the figure quoted.

In addition the transfer of funds should be made on the same day it is requested not several days later (We are not in the 1960's - these days it should be just the press of a button)

...To sum up if the value of encashment is less than the figure quoted the bank should ask the customer if that figure is acceptable before making payment.

In a subsequent submission Mr W said he felt ‘...*the investor should not have to ask for a*

call back if the valuation is different it should be automatic - when calling the investor agrees to the valuation given - if that changes it is incumbent on the bank to advise the investor and ask if they wish to proceed with the different valuation.'

He also said he felt that HBOS's terms and conditions '*would not stand up in a court of law*' as he felt they were not fair and reasonable to both parties. And he said he could not find a reference to the terms and conditions in the paperwork he held, so he felt that Mrs W had '*...not agreed to them they therefore cannot apply*'.

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 don't think HBOS has acted incorrectly in this matter or treated Mrs W unfairly. I'll explain why.

I am mindful that Mr W has raised a number of points in his responses to this service. I appreciate that Mr W feels this service should provide a detailed response to every point. We are an informal dispute resolution service, and I am not required to address every point raised. I have instead focussed on what I consider to be the key issues. I trust Mr W will not find this a discourtesy.

In the Keyfacts 'Plan conditions' document, for Mrs W's ISA (I note the investigator referred to these as the terms and conditions), under the heading '*How are share prices worked out*', it set out:

We value the property of each of the sub-funds at a 12 noon valuation point on each working day to work out the share price of the shares of each sub-fund. The share price for shares of a sub-fund is based on the value of that sub-fund.

Dealing is on a forward pricing basis. This means that shares are bought and sold at the share price that applies at the next valuation point.

In view of this, I am satisfied that it was made clear to Mrs W that her ISA holdings were forward priced. I note that Mr W says he cannot find a reference to the terms and conditions in the paperwork he has retained, so he feels Mrs W had '*...not agreed to them they therefore cannot apply*'. I don't agree with Mr W's position.

In reaching this view, I have taken into account that not only was the forward pricing set out in the Keyfacts document, but it was also explained to Mrs W when she telephoned HBOS to instruct it to encash her ISA.

In particular, I note that in the call HBOS explained:

The deal will be priced at the next available share price which is today at 12.... the money will be in your account on Wednesday 24 August...

Mrs W then asked:

Can you confirm the amount that will be paid in please?

The HBOS representative replied:

No. I can't because it's sold at the next available share price so it may change.

Mrs W then replied:

I see, well I hope it won't go down any more (laughs). Your colleague did give me a figure, what it is at the moment, so hopefully that's what will go in.

In view of this I cannot reasonably find that Mrs W was not made aware that the valuation she had been given was not guaranteed, or that her ISA holding was forward priced. (I understand that our investigator has provided Mr and Mrs W with a copy of this call recording.)

I appreciate that Mr W feels that forward pricing is fundamentally unfair as he says, '*the bank are allowed to give the investor False and incorrect information*'. This service only determines complaints on their individual merits. If Mr W wishes to pursue wider concerns about the use of forward pricing by fund managers, he may wish to contact the industry regulator, the Financial Conduct Authority.

Mr W has also raised concerns about the delay between Mrs W instructing HBOS to encash her ISA and the money being credited to her bank account. Mr W says '*...the transfer of funds should be made on the same day it is requested not several days later (We are not in the 1960's - these days it should be just the press of a button)*'. I can't reasonably agree with Mr W's position.

After Mrs W gave the instruction to encash her ISA, the fund manager would have had to sell down assets in the fund for Mrs W to receive her money. These underlying assets would be subject to a settlement period. For most stock market trades settlement can take between two to four working days. As Mrs W received her money on the fourth working day after she instructed HBOS to encash her ISA, I am satisfied that there was no delay in Mrs W receiving her money.

I do understand that this is not the decision Mr W was hoping for, but I hope my explanation will help Mr W to understand why I cannot reasonably uphold this complaint. If Mr W remains dissatisfied, he is, of course, free to pursue this matter in the courts.

My final decision

My decision is that, for the reasons I have set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 28 August 2023.

Suzannah Stuart
Ombudsman