

## **The complaint**

Mr I has complained about Interactive Brokers (U.K.) Limited's (IB) handling of his request to convert and transfer the American Depositary Receipts (ADRs) he holds through them.

## **What happened**

Mr I says he holds five Russian ADRs through IB. which were suspended from the London Stock Exchange (LSE) in March 2022.

After this, Mr I wrote to ask IB to convert his ADRs into shares. IB say they initially wouldn't agree to this due to what they called the *"evolving sanctions environment surrounding Russian securities"*.

IB subsequently did agree to support the conversion of certain ADRs, including Mr I's. However, they stated that a \$500 voluntary conversion fee would be chargeable for each conversion. They pointed to their website which they said explained the fee.

Mr I was unhappy and complained to IB. He said they had taken too long to deal with the matter and wasn't happy with the fee being charged. He was also unhappy his ADRs hadn't been transferred away from IB to another broker. IB responded to Mr I, and said they had taken a reasonable time to decide considering the circumstances. They also said that the fee was usual for DR conversion requests and reflective of the administrative costs involved. However, they confirmed that one of Mr I's ADRs had been converted following corporate action and no \$500 fee was charged for that holding.

Our investigator looked into it. He felt that IB had reasonably taken time to decide whether they would convert suspended Russian ADRs. He also felt that the fee being charged for conversion was a commercial decision of IBs and he thought they were acting fairly. The investigator also didn't feel that IB had done anything wrong in the failed transfer of the ADRs.

Mr I didn't agree. Amongst several points he has raised since the investigators view, he maintains:

- IB initially took no action for several months,
- The fee is unjustified, and in some cases larger than the investment,
- He has lost out on dividends whereas some European brokers have allowed them,
- He has evidence of other businesses charging lower conversion fees,
- He didn't agree to a conversion fee when he opened the account with IB.

As no agreement was reached, the case has been passed to me for a decision.

## **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 have come to the same conclusion as the investigator. I'll explain why.

Many points have been made in relation to this complaint – I haven't addressed each one individually. Instead, I've focused on what I consider to be the pertinent points. That isn't meant as a discourtesy, it simply reflects the informal nature of our Service. I've set out the key issues I think are important here. And I've answered them below in turn.

#### The time IB took to make a decision about the conversion

Mr I initially requested that IB convert his Russian ADRs, in March 2022. He is unhappy that IB took several months to decide whether they would support these conversions, only offering it at the end of 2022. Mr I was hoping to convert the ADRs into shares, so they could be certificated and then traded.

IB have said that this time was justified as they were considering their position. I think this is fair, considering the unprecedented sanctions that went into place following Russia's invasion of Ukraine. There was a lot of uncertainty in the UK financial sector about whether (or how) assisting in the conversion process would breach any of those laws. Many firms have chosen to take a risk averse approach towards potentially breaching them, given the uncertainty, and have refused to assist. The level of risk a firm is willing to take (which has an influence on the products and services they offer their customers) is something I'm satisfied is at the firm's discretion.

I appreciate that IB took quite a long period of time to confirm to Mr I that they would be offering a conversion programme. I know this will have been a period of significant concern and worry for Mr I. However, considering the difficult decision, the legal advice needed, the concern IB would have had for its customers and that they were trying to treat customers fairly, I don't think this time frame was unreasonable.

I'd also note that Mr I didn't go on to convert his ADRs due to the fees IB charge for this. So, I'm satisfied that the time taken didn't make a difference to the overall position Mr I finds himself in.

#### The conversion fees

IB then wrote to Mr I at the end of 2022 and offered to support the conversion. However, they confirmed that there would be a charge applicable for each conversion, of \$500. They pointed to the customer agreement, which Mr I signed at account opening.

This states that "*IB UK generally shall be responsible for .... Determining the commissions and other fees charged to IB UK Customers*". It also states, "*fees and other charges (collectively, "Charges") as are then set forth on the IB UK website and are in effect at the time such Charges are incurred*". IB have also provided a page on their website titled, "*voluntary election tool for American Depositary Receipt conversions*". This page states that there is generally a \$500 fee for the conversion.

Mr I is unhappy with this, he especially doesn't think it is proportionate to the value of some of his holdings.

I appreciate that Mr I feels the fee is too large, however I am satisfied following the explanation given by IB for the fee, that it is fair. They have explained that the conversion is a manual process that requires IB to individually submit a conversion request to the sponsoring bank. After which IB receives the underlying shares usually by way of a

custodian bank in the local market. They've said the conversion fee, therefore, reflects the administrative costs associated with offering a such a programme, such a maintaining an account with custodian banks in the local markets.

From my knowledge, conversion processes are not simple (even when the shares don't involve the level of sanctions that apply here) due to the number of parties involved. I'm mindful of the current political background, with laws applied by both Russia and international countries restricting who can hold the shares themselves, and where and how they can be sold. Overall, I don't think the fee charged here is unreasonable and I am satisfied that it's a commercial decision that IB is entitled to make, and they have done so in line with the terms and conditions of the account.

### Mr I's transfer requests

Mr I is also unhappy that he hasn't been able to transfer the ADRs to a different broker as he requested, he believes this is being unfairly blocked by IB.

However, IB have stated that whilst they are willing to facilitate a transfer, the firms that Mr I have proposed as transferees have so far refused to accept the ADRs. They state this is in light of the sanctions and restrictions.

As IB have explained, transferring the ADRs to another broker is only possible if the counter-party broker is willing to accept the positions being transferred. Based on the information provided to me, I am satisfied that it is not the fault of IB that these transfer requests were unsuccessful. I have seen correspondence from one of the brokers who stated they wouldn't accept them. The other broker did not reply to the transfer request or follow up.

### The dividends

Mr I also says he lost out on dividends that weren't applied to his ADR holdings, as they weren't converted or transferred. However, as I think IB have acted fairly regarding Mr I's request to convert his ADRs, it follows that I don't think Mr I has unfairly lost out here. Further, there is no evidence I have seen that IB have received dividends from the depository and so there's nothing for them to pay. IB can't control whether other companies pay them dividends.

In summary, I don't think IB took an unreasonable amount of time in making a decision as to whether they would support the conversion of Russian ADRs. I also think the conversion fee they are applying is fair and they have handled Mr I's transfer request fairly. So, I won't be asking them to do anything differently.

## **My final decision**

My final decision, for the reasons stated above, is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 5 February 2024.

Yoni Smith  
**Ombudsman**