

The complaint

Mr Z complains that Barclays Bank UK PLC failed to notify him of a corporate action in relation to some shares he owned.

What happened

Mr Z held shares in a company which I shall refer to as “Company A”, through Barclays.

In March 2023, Mr Z realised that his shares had dropped in value by around 30%. On further investigation, he found out that Company A had a rights issue in September 2022 in which it offered existing shareholders the option to purchase additional shares. Mr Z missed the election deadline of 27 September 2022 and so he didn’t participate in the rights issue.

Mr Z complained to Barclays as he was unhappy that it didn’t notify him of this corporate action. He said that had he been notified he would have maximised his entitlement.

Barclays considered Mr Z’s complaint and originally upheld it. Barclays said it failed to mention an old email address of Mr Z’s on file when he contacted it in April 2022 to update his contact details. Barclays said it had incorrectly sent an email notifying Mr Z of the corporate action to this old email address. So it offered Mr Z £731.44 to compensate him for his loss. However, Barclays reviewed the complaint further and wrote to Mr Z in April 2023 to explain why it was retracting the offer. It explained that it was under no obligation to provide details about corporate actions. Barclays said it appreciated the disappointment caused by removing the offer and so it offered him £150 for the distress and inconvenience caused.

Mr Z remained unhappy and so he referred his complaint to this service for an independent review.

One of our investigators considered Mr Z’s complaint and felt it should be upheld. In summary, they said it would be a reasonable expectation for Mr Z to receive some form of email notification about the corporate action. They said Barclays had sent the notification but had failed to update Mr Z’s new email address correctly despite, being notified of the change prior to the corporate action. So they said Barclays should put Mr Z back in the same financial position he would now be in, had it not been for its error. They were satisfied Mr Z would have participated fully in the rights issue and so they said Barclays should complete the corporate action as if Mr Z had participated in September 2022.

Mr Z accepted the investigator’s findings, but Barclays didn’t provide a response. As such, the complaint has been passed to me to decide.

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.

The crux of Mr Z's complaint concerns Barclays' failure to communicate information about a corporate action. A 'corporate action' describes the situation when a company puts out a notice that it may do something which could affect its shareholders.

Barclays has explained that it was under no obligation to notify customers about corporate action events and referred us to its terms and conditions which say:

"3.1 Unless we agree otherwise with you, where we hold Assets which give you rights in relation to a company, including if we become aware of any proposed class action or group litigation:

(i) we will not be responsible for taking any action in relation to these matters, except to give effect to Default Action if you do not give us an Instruction;

(ii) to the extent permitted by Regulatory Requirements we will not be obliged to notify you or obtain your Instructions in relation to these matters;

(iii) if we do seek but do not receive your Instructions by any deadline stated by us, we will take such action as we consider appropriate (including taking no action); and

(iv) if we seek and receive your Instructions by any deadline stated by us, we will take such action as we reasonably consider appropriate, including action that does not accord with your Instructions where following such Instructions is not reasonably practicable."

I've thought carefully about what Barclays terms and conditions say about what it will do when a corporate action is announced, as well as considering Barclays wider responsibilities to act in its customers' best interests. Whilst its terms and conditions do not oblige Barclays to share information in the event it receives notice of a corporate action, I think it is a fair and reasonable expectation that it would seek instructions in those circumstances. As a broker with clients holding shares in a nominee name, it should generally let the beneficial owners of the shares know about a corporate action so they can give instructions accordingly, especially when the action gives an investor an option or a choice which may be to their benefit.

I don't find Barclays' terms and conditions to be sufficiently clear in saying that it wouldn't notify interested customers in the event of a corporate action. So it isn't reasonable to think that Mr Z would have known in advance that he couldn't depend on Barclays to notify him of the corporate action concerning Company A.

I'm also aware that Barclays did attempt to send Mr Z a notification by email, but this was incorrectly sent to Mr Z's old email address. So it looks like Barclays did have in place arrangements to notify clients with an interest in a corporate action.

In regard to Mr Z's email address not being updated, I'm persuaded this was due to Barclays' error. I'm satisfied Mr Z contacted Barclays to update his contact information and that Barclays failed to update his Smart Investor email following this.

So for these reasons, I'm upholding Mr Z's complaint about Barclays' failure to notify him of the corporate action.

Putting things right

Mr Z has told this service that had he been correctly notified of the corporate action, he would have taken up the offer to purchase shares in Company A at the discounted rate. I understand Mr Z's was able to purchase up to 400 new shares as part of the rights issue. I also think the £150 offered fairly reflects the distress and inconvenience caused to Mr Z.

So to put things right for Mr Z, I think Barclays should do the following:

- Purchase 400 shares in Company A in Mr Z's name.
- Make arrangements for Mr Z to cover the costs associated with this, but these costs should be limited to the amount he would have paid had he purchased the shares at the discounted price stipulated in the September 2022 corporate action (Barclays itself should absorb any additional costs associated with this purchase).
- Pay Mr Z £150 for any distress and inconvenience caused.

My final decision

My final decision is that I uphold Mr Z's complaint and instruct Barclays Bank UK PLC to pay him the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 31 January 2024.

Ben Waites
Ombudsman