

The complaint

Mr N complains that the value of a holding of shares in his Interactive Brokers (UK) Ltd ("IB") account fell disproportionately. He feels this is due to IB failing to correctly execute a related corporate action.

What happened

Mr N had a holding of 582 shares, in a company I'll refer to as 'X'. In May 2022 X announced a subscription rights offer – one right for every share held, three shares for each right.

The rights were applied to Mr N's account on 27 May 2022 and IB sent notification of the offer through its usual channel, its Client Portal message centre. In total, three messages were sent, one in May and two in June 2022. However, Mr N didn't take up the offer prior to it expiring on 6 June 2022 and the rights were removed from the account in early July 2022.

In August 2022 Mr N queried the value of his holding in X with IB. He was unhappy, as set out above, as he felt the value appeared to have fallen disproportionately when compared with the general market price of X shares.

IB explained the rights offer and how it had worked. It said it was satisfied it had administered the corporate action correctly and that Mr N had been informed about it in line with its terms and conditions. It didn't think there was anything to suggest the valuation of his holding was incorrect.

Mr N referred his complaint to this service. Our investigator explained that IB offered an execution-only service, so although it had given Mr N reasonable notification of the rights issue, it couldn't have advised Mr N in any way or acted on his behalf without any instruction from him. So, any reduction in the value of Mr N's holding X had not been the fault of IB.

Mr N didn't accept the investigator's view. He felt she had misunderstood the crux of his complaint, which was around the valuation of the holding and why it had dropped by around 50%, rather than the corporate action itself. He questioned whether the value of all holdings in X had fallen by a similar amount.

In response, the investigator provided Mr N with some general information relating to X's share price, but she explained that our consideration of complaints looked at individual circumstances and, in that respect, she reiterated that she didn't consider IB had acted incorrectly in administering Mr N's shareholding.

Mr N continued to question the loss of value, stressing again that he didn't feel the notification and handling of the corporate action was the key issue. He asked whether the value of his holding dropped by half just because he hadn't told IB that he wanted to keep 100% of it? And if he had told IB that he didn't want the value to be reduced, would it have preserved 100% of the value? And when he did lose the value, who ultimately gained from it?

As no agreement could be reached, the matter was referred to me to review.

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.

As noted, Mr N feels that the loss of value of his shareholding is the crux of the complaint. I'll come on to that point, but for completeness I think it's important to first confirm that I've seen nothing to suggest that IB failed to deal with the rights issue correctly. Although not obliged to by its terms, it nevertheless sent several notifications to shareholders about the matter in a timely manner, which clearly explained the situation and gave ample time for Mr N or any other shareholder to consider the information and decide about how they wished to proceed.

Mr N didn't take up the offer to subscribe to more shares. Whether that was due to him not reading the messages or whether it was a more active decision, him not doing so wasn't the fault of IB. It had no authority to act on his behalf or to presume how he might want to proceed. It should be remembered that the cost of subscribing fully to the rights offered to Mr N as a result of him holding 582 shares (which at the time of the offer were valued at around EUR 1,000) would've been $582 \times 3 \times \text{EUR } 1.17$ (the subscription price), so EUR 2,042.82. So quite a significant investment decision relative to the value of his existing holding.

But in any event, it seems that it's not the corporate action itself, or IB's handling of it, that is Mr N's main concern. It's that the value of his holding decreased significantly – he suggested around 50% - over the period in question. And further, that this could perhaps have been avoided by him responding to IB.

As noted, Mr N held 582 shares. I'm not sure precisely which figures and dates Mr N has used to determine the suggested 50% drop in value. But it's certainly the case that following the start of the rights issue at the end of May 2022 X's share price fell considerably, by as much as around 40% at one point, across the following two months. Coupled with this was the fact that for the duration of the subscription period, Mr N's account had the rights applied to his account and he would've been able to see their value, which was just a little less than the value of his actual shareholding, so effectively giving a temporary doubling of the account balance. Once the rights were removed having lapsed the account balance would've dropped accordingly.

I can't be sure which of these issues, or maybe others, led Mr N to conclude that 50% of the value of his shareholding had simply been removed by IB or X. But I'm satisfied that's not the case. The value of his 582 X shares simply fluctuated with the market, albeit possibly more than usual in light of the rights issue. I'm satisfied Mr N's shares didn't incorrectly or unfairly lose any value, and also that nothing would've been any different with the share price if he had contacted IB and acted upon the rights issue. As noted, doing so would've incurred him the additional cost of buying the new shares.

I hope this information has to some degree helped to put Mr N's mind at rest. But in any event, ultimately the purpose of me reviewing this matter is to determine whether IB acted incorrectly or unfairly in any way. And having looked at everything, I'm satisfied it did not. So, I won't be directing it to take any further action.

My final decision

For the reasons given, my final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 20 October 2023.

James Harris
Ombudsman