



Case study: Investments/Funds

UNSUITABLE INVESTMENT MANAGEMENT LEADS TO COMPLAINANTS' LOSSES

Themes: Custody and nominee accounts; IPO; restricted period; investment manager; pension trust.

This complaint relates to an investment manager's inappropriate handling of assets held within the complainants' pension trusts.

Both Mr F and Mr G were beneficiaries of a pension trust and in February 2015, the appointed investment manager of the pension trust's assets bought shares in a technology company. The shares were applied to the investment manager's nominee company account on behalf of Mr F and Mr G's pension trusts.

In September 2020, the investment manager was advised that the technology company was going to be publicly listed on an international stock exchange. In January 2021, the investment manager received a notice that the technology company shares had been publicly listed and would be held by an international custodian and restricted until November 2021, meaning the investment manager could not trade the shares during the restricted period. The custodian requested the investment manager provide bank account details for them to send the listed shares at the end of the restricted period.

In November 2021, at the end of the restricted period, the trustees of Mr F and Mr G's pension trusts requested that the investment manager sell the technology company shares. However, the sale of the shares valued at approximately £200,000 was cancelled because the investment manager did not have a custodian account in the name of the nominee to receive the listed shares; they had in error provided the nominee company's cash bank account details which could not receive listed shares.

Between November 2021 and May 2022, the investment manager was unable to provide details of a custodian account in the name of the nominee for the shares to be returned to.

In May 2022, the shares in the technology company had dropped to a level where they were sold, avoiding tax implications, using an independent broker for approximately £110,000. Mr F and Mr G made a complaint to the investment manager, stating they had not complied with the information technology company's requirements which had led to delays and losses when receiving the proceeds of the shares. They requested the investment manager refund them the investment management and custody fees from 2015 to 2022 and provide compensation for the delays they had experienced. The investment manager rejected their complaint as they believed they had acted in accordance with market practice and had obtained local legal advice. Mr F and Mr G referred their complaint to CIFO.

CIFO investigated and noted that the investment manager had not considered the technology company's custodial arrangements appropriately and when they had been advised that the shares were being listed on an international stock exchange, they had provided their nominee company's cash bank account details to receive the listed shares, which was not possible. Therefore, CIFO upheld the complaint and recommended the investment manager compensate both Mr F and Mr G a total of approximately £130,000 which included the losses incurred during the delay in selling the shares, interest on the loss, a distress and inconvenience award and the return of the investment manager's fees from October 2021 to April 2022, the period in which the investment manager should have appropriately considered the specific custody arrangements to receive the listed shares in the technology company.