Case study: Banking

BANK'S FAILURE TO ACT ON COMPLAINANT'S INVESTMENT INSTRUCTIONS RESULTS IN LOSS

Themes: share transfer; investments; redomiciled company.

This complaint relates to a bank's failure to correctly act on the complainant's instruction to transfer shares instead of selling the shares held in an investment.

In May 2023 Ms M's bank contacted her regarding her shareholding in a company that was being redomiciled. Mrs M's bank advised her it could no longer hold the investment in its account for her, and she should either let the shares be sold or retain them through a different broker.

In June 2023 Mrs M requested the bank to transfer the shares to a company she had appointed but the bank sold Mrs M's shares instead. When the shares were sold by the bank, the share price was approximately USD 2. However, when the investment redomiciled, the share price increased significantly to approximately USD 4, which resulted in a significant loss for Mrs M.

In September 2023 Mrs M made a complaint to the bank stating that the sale of the shares had meant she had lost access to future investment returns and capital gains which had formed part of her retirement portfolio. Mrs M's bank rejected her complaint and offered Mrs M £100 compensation for its failure to appropriately notify her of the reasons for its sale of the shares. Mrs M refused the bank's offer and referred her complaint to CIFO.

In May 2024, after CIFO had notified the bank that it had received the complaint, but before CIFO could fully investigate, Mrs M's bank offered to compensate her for what they felt she had lost from the early sale of the investment, approximately USD 54,000. The bank's reasoning was that it was unable to repurchase the shares for her. This compensation value was calculated as the difference in total proceeds from when the shares were sold in error, compared to the value of the shares as of the date of the bank's revised decision on her complaint in May 2024. Mrs M rejected their offer as she believed the share price had decreased and requested the compensation calculation be based on when the shares were sold in error, compared to the value they had achieved at their peak in January 2024, approximately USD 5 a share, making the loss approximately USD 110,000. The bank declined that amount and awaited the outcome of CIFO's investigation.

CIFO investigated the complaint and noted that the bank had indeed sold the shares in error and had not acknowledged their error when they had provided an initial response to Mrs M's complaint in September 2023. CIFO concluded that the bank should have acknowledged their error to Mrs M in their initial response and recommended the bank compensate Mrs M the difference in the total proceeds from when the shares were sold to when Mrs M had received the bank's initial response to her complaint in September 2023. As a result, CIFO upheld the complaint and directed Mrs M's bank to compensate Mrs M approximately USD 81,000.