



AUTORITÉ
DES MARCHÉS FINANCIERS

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A "PEA" (personal equity savings plan) must be closed on the holder's death, but its closing is not equivalent to a liquidation order

On the death of its holder, a PEA plan cannot be transferred to the estate as is. Although death entails the closing of the PEA plan, it is incumbent on the legal beneficiaries to decide what to do with the securities they have inherited. The account-keeper must therefore carry out any instructions received from the notary managing the estate within a reasonable time.

The facts

Mr X inherited a PEA securities account from his father, who died on 10 October 2017.

Through the notary in charge of the estate, the heirs asked the account-keeper to carry out the sale of all the securities, and then transfer the proceeds to the account of the notary's office.

However, despite sending several reminders, with the legal beneficiaries stating that they needed the money to settle the inheritance costs, the funds transfer following the sale of these securities had still not been made by the end of August 2018.

Mr X therefore called on me to intervene.



Investigation

I questioned the account-keeping bank, which told me it had been informed on 23 May 2018 by the notary of the heirs' instruction to sell the securities and close all the deceased person's accounts. The PEA securities account was closed on the following 3 July. On 24 September 2018 the bank paid the notary the cash resulting from these sales.

The bank recognised that it ought to have closed the PEA plan as soon as it had been informed of the death of Mr X's father. In the case in question, the death had been announced to it very quickly by the legal beneficiaries. The bank also recognised that the valuation to be adopted was clearly the valuation on the date of the death, i.e. 10 October 2017, to perform the calculation and then the payment of social security taxes.

I also questioned the bank regarding the time for payment of the proceeds from the sale of the securities to the notary, which took almost three and a half months (from mid-June to the end of September). The firm recognised its liability on this account, caused by problems of internal organisation, and proposed to compensate the estate for the late payment penalty that it had been required to pay to the tax authorities during this period of time.

Recommendation

The bank formally noted that, as soon as it was informed of the holder's death, it ought to have adopted the date of the death to value and calculate the PEA plan and pay social security taxes. I then reminded it that the securities held on the closed PEA plan should have been transferred to an inheritance securities account opened for this purpose, pending instructions from the heirs either to sell, maintain the jointly-owned account, or else transfer the securities.

The compensation finally proposed and accepted in this case, amounting to about €1,000, corresponded to compensation for the damage sustained by the legal beneficiaries as a result of the unjustified delay in paying the estate the proceeds from disposal of the securities (i.e. the three and a half months taken to hand the funds resulting from the sale of the securities over to the notary).

Lesson to be learned


For investors : A death must be reported immediately to the deceased person's account-keeper. The PEA plan must be closed as soon as the death of its holder is announced, so as to calculate social security taxes, based on the valuation at the time of death, and settle said taxes.



On the other hand, what happens to the securities that were held on the plan then depends on instructions from the estate, which are usually issued by the notary representing the heirs taken together.

For account-keepers : If the instructions are to sell the securities, this sale must take place within a reasonable period of time, as must the cash payment.

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