

## **The complaint**

Mr S has complained about Valu-Trac Investment Management Ltd. He said he doesn't believe it should have charged him a dilution levy when he purchased shares in one of its funds in 2022 and then again in 2023. He said it should pay him this fee back and it should pay compensation for the time he has spent in raising this issue with it.

## **What happened**

Mr S purchased shares in one of Valu-Trac's funds in 2022 and 2023 on a third-party trading platform. Valu-Trac is an open-ended investment company (OEIC) and the fund Mr S invested in was called the VT Teviot UK smaller Companies fund. Mr S said a dilution levy should not be charged on small trades, such as the ones he carried out in 2022 and 2023. He said he invested in a single priced fund, and it shouldn't be charging a dilution levy.

Mr S said Valu-Trac should refund him the dilution fee he has paid on his two transactions, and it should also pay him compensation for the time he has spent in raising his complaint.

Valu-Trac said in response that it was satisfied that sufficient information was made available prior to Mr S purchasing shares in its fund – to inform him of the dilution levy. It said its fund is FCA approved, and charging the levy is clearly stated in its documentation. It said it hasn't breached any rules. It said it doesn't feel it has done anything wrong and will not be doing anything further.

Mr S was not happy with Valu-trac's response and referred his complaint to our service.

An investigator looked into Mr S's complaint. She said she didn't think Valu-Trac needed to take any action. She said she can't say Valu-Trac has incorrectly charged the dilution fee or that it has failed to make available information about it.

Mr S is not in agreement with the investigator's view. He provided a detailed submission in May 2023. He said he would like Valu-Trac to refund the dilution levy it charged. He said it was illegally applied by it on his small trades. He said it shouldn't be doing this with a single priced OEIC.

Mr S said there are no other companies selling funds that use a dilution levy on an OIEC single priced fund. He said Valu-Trac should be reported to the FCA and must be stopped. He has asked me to find one example of another company doing this. He said Valu-Trac's model is not legal and the FCA must be informed.

So as Mr S's concerns have not been resolved, his complaint has been passed to me, an ombudsman, to look into.

## **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.

I am not upholding Mr S's complaint and I will explain why.

I have read carefully Mr S's recent submission that he sent into our service in May 2023. The crux Mr S's complaint that I can see is that he doesn't think Valu-Trac should have charged him a dilution levy when he bought shares in one of its funds in 2022 and again in 2023. He said that Valu-Trac has done something illegal by doing this. Valu-Trac on the other hand has said it has done nothing wrong and as adhered to the regulations proscribed by the regulator, The Financial Conduct Authority. It said its funds are authorised by the FCA too.

I think it is worth explaining about the role of The Financial Ombudsman Service as an informal dispute resolution service. Mr S has on several occasions said he thinks what Valu-Trac has done is illegal. As an ombudsman, I make decisions on the balance of probabilities, and as an impartial decision maker I look to make findings that are fair and reasonable in the circumstances of Mr S's complaint. My role does not involve applying any regulatory or disciplinary powers and it is not in my remit to tell a business how it should or shouldn't operate.

Within my remit, I need to consider whether Valu-Trac's actions to charge the levy on the two trades carried out by Mr S, are fair and reasonable or not. To do so, I have first considered the regulations that Valu-Trac say it has adhered to. I have read through the FCA handbook and in particular its rules for Collective Investment Schemes (CIS). Within this section of the handbook is CIS 4.6 Dilution and SDRT Provision. This specifically describes what an authorised firm should do and consider in terms of dilution within its fund. I have also read the glossary where the FCA has described what a dilution levy is defined as and what it is used for. This is all relevant here, because Valu-Trac has told our service that the fund in question has been authorised by the FCA. And it has told our service that it adheres to the regulations. In doing so it has decided to apply the dilution levy in the way it has described within its key documentation.

I have looked through the key documentation that Valu-Trac produced for the fund that Mr S invested in. This is so I can see whether it has provided information to Mr S that is clear, fair, and not misleading so Mr S could make an informed choice as to whether he should invest in the fund or not in 2022 and 2023. I can see that information about the dilution levy is provided within the key investor document, and Valu-Trac describes how it would apply it. I can see that it did this when it charged the levy on Mr S's trades. Mr S said that he didn't read this documentation, but I don't think that Valu-Trac can be held responsible for Mr S not doing this.

Valu-Trac has said to Mr S and to our service that it is not doing anything illegal, it is adhering to the regulations and its fund is authorised by the FCA. And although Mr S has said what Valu-Trac is doing is illegal, I can't see what that is. Mr S has not been explicit about how Valu-Trac is breaching any rules, other than to say it is his opinion that a single priced OEIC shouldn't charge the levy.

I have looked through Valu-Trac's documentation about the fund Mr S invested in, and I have considered what both parties have said, along with the relevant regulations, that I have outlined above. In doing so, I can't see that Valu-Trac has treated Mr S unfairly when it has applied a dilution levy to the trades, he carried out in 2022 and in 2023. I can't see that it has done anything else wrong either, so I won't be asking it to do anything further.

I appreciate that my decision will be disappointing for Mr S, and I acknowledge the strength of his feelings in the submissions provided to our service. But based on everything I have read and the findings I have given, I don't uphold his complaint.

**My final decision**

My final decision is that I do not uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 January 2024.

Mark Richardson  
**Ombudsman**