

The complaint

Mr H and Miss S have complained that Skipton Building Society (Skipton) have given them unclear information regarding the tax payable on an investment bond, which they are trustees of.

What happened

In August 2017, Mr H and Miss S invested approximately £70,000 through Skipton into Old Mutual (now Quilter) investment bonds. This was done through two discretionary gift trusts, with Mr H and Miss S as the trustees.

In January 2022, they received two contract notes showing units sold to pay a tax liability referred to as a “*life fund tax charge*”. Mr H and Miss S complained to Skipton, they said that they didn’t know what this charge was, why any tax had been due and what any future liability was.

Skipton responded across April to June 2022. They explained that they had been waiting on clarification from Quilter who manage the investments. They stated that the charge was not new but that the communication was an attempt to explain how it had been calculated.

Mr H and Miss S were unhappy with the response and brought their complaint to our service for an independent review. An investigator looked into it but she felt Skipton had done enough to make the charge clear.

Mr H and Miss S remained unhappy. Amongst other concerns, they said that they hadn’t been given the correct information regarding the liability and were unsure if it had been calculated correctly.

As no agreement was reached, the case has been passed to me for a decision.

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.

Having done so, I agree with the Investigator that Skipton have done enough here. I’ll explain why.

Firstly, I think it is important to note that it is the provider that is responsible for the charges and administration of the investments and it was them whose letter prompted concerns. However, as the advisor, Skipton have a responsibility to make this information clear to you and I think they have acted fairly here.

I would like to empathise with Mr H and Miss S. Skipton and the provider both acknowledge

that the contract notes sent in January 2022 caused confusion and didn't clearly explain the *"life fund tax charge"* that had been taken.

Skipton have explained the charge now, through clarification from the provider, and I am satisfied they have done what they can to make this clear. Onshore investment bond income is taxed at source at the basic rate of 20%. Skipton have explained that this is not new, was paid previously but that moves have been made to ensure charges are 'explicit' and so Quilter's contract note specified this charge. Whereas previously a customer would have only seen a value after the tax had been collected at source. I am satisfied with the explanation given and this shouldn't be confused with tax liability arising from chargeable gains.

Mr H and Miss S have also raised concerns about the amount of the charge. However, from the information provided to me about what has been deducted and paid, I haven't seen anything to conclude that an error has been made. Further, Skipton aren't responsible for the amount paid.

Mr H and Miss S have raised concerns about the experience and role of the financial advisor. However, these have been raised subsequently and I don't believe Skipton have had sufficient opportunity to address them, prior to any potential referral to our service.

In summary, I think Skipton have acted fairly in attempting to explain the tax charge applied by the provider and the communications about it. They aren't responsible for the amount charged as they don't administer the bonds.

My final decision

My final decision, for the reasons set out above, is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Miss S to accept or reject my decision before 6 November 2023.

Yoni Smith
Ombudsman