

The complaint

Mr S complains that Brew Dolphin Limited has unfairly charged him VAT on his execution-only investment portfolio account.

What happened

Mr S has held an investment portfolio account with Brew Dolphin for over eight years. His account was originally set up under Brew Dolphin's Discretionary Managed Service. However, Brew Dolphin wrote to Mr S in May 2015 to explain that his account was going to switch to an execution-only account, due to him becoming more involved in the individual investment decisions. Mr S benefited from a discounted family rate of 0.25% plus VAT on the value of all account assets charged quarterly in arrears. Brew Dolphin confirmed this would continue to be applied as it would be cheaper for Mr S than the standard Execution Only tariff.

Mr S complained to Brew Dolphin in July 2021 as he felt he shouldn't be charged VAT on an execution-only account and referred to other investment platforms that didn't charge VAT for such services.

Brew Dolphin considered Mr S' complaint but didn't uphold it. In summary, it said it has obligations to HMRC to collect the correct amount of VAT from its clients. Brew Dolphin clarified that it doesn't charge VAT on commissions or bargain charges/transaction charges, however it does charge VAT on administration and/or management fees in respect of processing statements, administering corporate actions and processing dividends. So it didn't think it had acted unfairly by charging Mr S VAT for these services.

Mr S didn't accept Brew Dolphin's findings and referred his complaint to this service for an independent review.

One of our investigators looked into Mr S' complaint but they felt Brew Dolphin was able to charge him VAT on his account. They said that Brew Dolphin charges a quarterly fee for the administration of his account which is VAT chargeable and that this fee is separate from any fees associated with the buying and selling of shares which are VAT exempt.

Mr S remained unhappy and so the complaint has been passed to me to decide.

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.

Brew Dolphin has provided a copy of its fees and charges document for execution-only accounts. This clearly explains that a quarterly account fee will apply, and that VAT is charged on this. It's not clear whether Mr S is charged this account fee or whether he continues to benefit from a discounted family rate of 0.25% plus VAT on the value of all account assets charged quarterly in arrears. Brew Dolphin explained this was a cheaper option for Mr S than the standard Execution Only tariff when it wrote to him in May 2015.

However, Brew Dolphin has confirmed that it charges VAT on management fees regardless of discounted rates. In my view, reading the document as a whole it is clear enough that VAT would be charged.

I appreciate Mr S has provided HMRC guidance which he feels shows Brew Dolphin shouldn't be charging VAT on execution-only accounts. However, the guidance doesn't seem to be in relation what Brew Dolphin are charging VAT for. The guidance refers to buying and selling of securities, whereas Brew Dolphin are charging VAT on administration and/or management fees in respect of processing statements, administering corporate actions and processing dividends. Ultimately, it's not my role to decide whether Brew Dolphin is adhering to HMRC guidance. Instead, I need to be satisfied that Brew Dolphin was transparent about the charges Mr S would incur and I'm persuaded it was.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 1 November 2023.

Ben Waites
Ombudsman