

The complaint

Mr A and Miss A complain that Interactive Investor Services Limited (“II”) has been charging unfairly high fees for two investment accounts.

What happened

In 2011 Mr A opened two investment accounts with a firm I’ll call S. One account for each of his daughters - Miss A, now an adult, and Miss A2.

In 2021 II took over S’s business. So the accounts Mr A held for his daughters were migrated over, and became subject to II’s charging structure.

In 2023, Mr A discovered how much had been taken from the accounts, and complained. He said which the accounts were with S, the fees had been around £3 a month. But II was charging £40 a month. He said these fees were excessive and had severely depleted the investments he’d made for his daughters’ benefit. He thought the investment accounts were either Child Trust Funds (CTFs) or Junior ISAs, both of which ought to have attracted lower fees with II.

II didn’t uphold Mr A’s complaint. It said the accounts with S hadn’t been either CTFs or Junior ISAs, but had been regular Junior Investment Accounts, held in trust by Mr A for the benefit of each of Miss A and Miss A2. It said it had charged fees on these accounts in line with its terms for the account type, and that it had told Mr A about the charging structure when the accounts migrated.

Mr A wasn’t happy and came to our service. One of our investigators looked into things and didn’t think II needed to do anything further. He was satisfied the accounts weren’t CTFs or Junior ISAs, and that they’d been migrated and operated correctly. He also found the account fees were in line with what II had told Mr A they’d been – and so didn’t think there was a fair reason to require II to refund them.

Mr A remained unhappy and asked for an ombudsman’s decision. He said the fees weren’t reasonable, being so much higher than for other accounts or than he’d been paying before. He said II had engaged in profiteering and he and his daughters ought to be protected from these excessive fees.

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’ve reached the same conclusions as our investigator and for broadly the same reasons. I would like to say I understand Mr A’s strength of feeling on the matter and I’m grateful for his submissions which I’ve considered very carefully. But ultimately I’m not persuaded he or his daughters have been treated unfairly or unreasonably by II, and I’ll explain why.

There has been some dispute about the type of account Mr A set up for Miss A and Miss A2. Having considered the account opening documentation from S in 2011, I'm satisfied the accounts were Junior Investment Accounts, held in trust by Mr A for his daughters' benefit. I've seen nothing to suggest they were ever CTF accounts or Junior ISAs.

When II took over S's business it sent a migration brochure to all customers, including Mr A. This included details of what the different S accounts would become with II. Under the entry for "Junior Investment Account" with S, the corresponding II accounts were said to be:

"Trading Accounts. These are equivalent to Share Accounts and can be held by individuals, corporates, charities, investment clubs and trusts. Trading Accounts for individuals can be held in joint names or designated to a child if you wish."

So I'm satisfied Mr A ought to have understood he held Junior Investment Accounts with S, in the name of trusts established for his daughters' benefit, which would then become Trading Accounts in trust with II.

Elsewhere in the brochure, one of the Q&A questions says:

"I have a company or trust account, are there any extra charges to pay?"

This is another type of account where there are some extra costs for us in administering it. We charge £29.99 each month to cover these in addition to your monthly service plan fee. Your non-personal accounts charge is collected at the same time as your service plan fee."

I find that II clearly explained the charges it would levy for holding accounts in trust, as his daughters' accounts were.

Mr A has complained that the charges were unfairly high and amounted to profiteering. He's questioned the regulatory protections in place for this kind of practice. While the regulatory landscape is always evolving and obligations change, for the period Mr A held these accounts there were no specific rules or obligations around how much firms could charge for their services. The regulatory rules were focussed on disclosure – ensuring firms like II made it clear to customers like Mr A what their different services would cost, allowing customers to make informed decisions about where they wanted to do business.

For the reasons above I'm satisfied II did that here. It set out what the accounts would cost, and explained why the fee for trust accounts was higher than for others. I appreciate Mr A might not have understood this or realised the implications at the time, but I can't fairly say II failed to make him reasonably aware of the costs post-migration. And therefore I don't think it was unfair or unreasonable of II to collect the charges from the account which it proceeded to.

My final decision

For the reasons I've given I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A and Mr A to accept or reject my decision before 16 January 2025.

Luke Gordon
Ombudsman