

The complaint

Mr F complains that IG Markets Limited won't send him tax vouchers for an overseas investment he holds in his ISA account, and that it sent him incorrect information.

What happened

Mr F has Swiss holding in his ISA account, which I'll refer to as "S". The dividends are received after tax has been deducted at 35%. He told IG Markets that he needs tax vouchers to show the deduction so that he can claim back 20% tax from the Swiss tax authorities.

IG Markets provided him with an income summary and a consolidated income summary, but Mr F complained that he needed tax vouchers for his claim to be successful. He also complained that two dividends, received in August and October 2020, were wrongly showing as UK dividends with no withholding tax deduction.

IG Markets said it couldn't supply individual tax vouchers. And it said a consolidated tax voucher wouldn't be generated because the holdings were in an ISA which is not tax reportable. It provided Mr F with a consolidated income summary and said that it had no obligation to facilitate tax reclaims or offer tax advice. It acknowledged Mr F had been dissatisfied with the service he'd received from IG Markets over this issue and offered to pay him £150 as a gesture of goodwill.

Our investigator didn't recommend that the complaint should be upheld. She concluded IG Markets had provided Mr F with enough information for him to make a tax reclaim. Mr F didn't agree and the complaint was passed to me.

My provisional decision

I was minded to conclude that IG Markets should pay Mr F £250 compensation for the wrong information it had provided. I sent both parties a provisional decision to explain why I'd reached that conclusion. I said:

I don't find there's any obligation on IG Markets to provide dividend information in a particular format, particularly as the dividends are received within an ISA. IG Markets doesn't issue tax vouchers and I don't find it has to, even if other businesses may provide them. I'm satisfied that, (with the exception I will set out below) the format in which it has provided income information is clear and that the withholding tax is shown.

Mr F asked IG Markets to send him an amended income statement because two of the foreign dividends which were shown under the "UK dividends" heading and didn't show that withholding tax had been deducted. IG Markets told us that it relies on the dividend information from its custodian and that the custodian receives the dividend information direct from the company. It suggested the Swiss company had offset the withholding tax against the UK liability through foreign tax credit relief and this is why the dividends are shown as tax free UK dividends. It said Mr F would need to contact the Swiss company himself if he has any questions.

But I don't find the explanation given by IG Markets to be plausible. I say this for the following reasons:

- It is the individual who receives the dividend, not the foreign company paying the dividend, who can claim foreign tax credit relief.*
- When the company announced the dividends, it issued letters confirming the amounts payable. The letters include the following information:*

“[S] plc is, for tax purposes, a Swiss resident company. As such any dividend payment which the Company makes will be subject to the current Swiss federal withholding tax rate of 35 per cent (the “Withholding Tax”). The Withholding Tax must be withheld by the Company from the gross distribution and paid directly to the Swiss Federal Tax Administration.

A full or partial refund of the Withholding Tax may be available in certain circumstances, depending on your place of tax residence, (beneficial) ownership, related refund applications and evidence.”

I find this makes it clear that the dividend was paid with withholding tax of 35% having been deducted.

- The dividend figures from the letters, and the amount Mr F received, also confirm this:*

<i>Date</i>	<i>Dividend in US cents</i>	<i>Sterling equivalent dividend</i>	<i>Number of shares</i>	<i>Gross dividend</i>	<i>Withholding tax at 35%</i>	<i>Amount received by Mr F</i>
<i>26/08/20</i>	<i>6.6</i>	<i>5.05166p</i>	<i>11,500</i>	<i>£580.94</i>	<i>£203.33</i>	<i>£377.61</i>
<i>08/10/20</i>	<i>6.6</i>	<i>5.05863</i>	<i>15,400</i>	<i>£779.03</i>	<i>£272.66</i>	<i>£506.37</i>

I accept IG Markets doesn't provide tax advice and is reliant on its custodian to give it correct information. But I think it reasonably should have queried this with its custodian when Mr F raised concerns about the accuracy of the income report IG Markets had provided. IG Markets should have reasonably realised that foreign dividends shouldn't have been listed under the UK dividends section, and this should have led it to question why it had wrongly reported that overseas tax hadn't been withheld.

Whilst the shares were held in Mr F's ISA, which means dividends are not subject to UK tax, I understand Mr F was still able to make a claim to the Swiss authorities for a partial (20%) refund of the tax. But he needed accurate information from IG Markets to make that claim.

In order for his claim to be successful, S's letter explains that a claim must be made “no later than 31 December of the third year following the calendar year in which the dividend became due”. So Mr F would have needed to make a claim by 31 December 2023.

IG Markets' failure to provide Mr F with accurate information about his August 2020 and October 2020 dividends means he wasn't able to make a claim and he has lost out on potentially receiving a refund of around £271.99. (The exact amount he would have received may have been more or less than this because the amount paid by the

Swiss authorities would have been in Swiss francs and therefore subject to exchange rate fluctuations).

I've considered this carefully. We recently asked Mr F if he'd made a successful claim for the dividends that were shown correctly in IG Markets' report. From what Mr F said, I think it's more likely than not that he didn't make a claim. I appreciate that he's not currently got access to paperwork but, if he did make a successful claim, he can let us know in response to this provisional decision.

As I'm currently minded to conclude he didn't make a successful claim for the dividends that were reported correctly, I don't think he would have made a claim for the 2020 dividends if he'd been sent an accurate report. That's because I think it's more likely than not that Mr F would still have wanted IG Markets to provide him with tax vouchers and I've already explained above why I think it didn't need to do that.

For that reason, I don't find IG Markets needs to reimburse Mr F for the tax he potentially could have claimed back from the Swiss authorities.

But I do think IG Markets caused Mr F distress and inconvenience because it failed to issue a correct statement and failed to correct the statement when it was brought to its attention. IG Markets offered to pay Mr F £150. Mr F contacted IG Markets several times, but it took no steps to try to correct the report or investigate the reason for the error when Mr F queried it. And I think it should reasonably have realised something was wrong. In the circumstances, I think it's fair that IG Markets should pay Mr F £250.

In response to our investigator's conclusions, Mr F also said that he hadn't received information from IG Markets about dividends received after 5 April 2022 to the date he closed his account. But I'm satisfied this was provided, and our investigator forwarded Mr F a copy of the report.

Responses to my provisional decision

IG Markets said it agreed with my provisional decision.

Mr F said the compensation I'd suggested was paltry and didn't reflect the stress IG Markets' lies had caused him.

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.

As I set out in my provisional decision, I find IG Markets provided Mr F with wrong information and with poor service. Mr F says he was lied to. I think it's more likely that IG Markets chose not to carry out basic checks which would have demonstrated that the information it had given Mr F was wrong; and chose not to question the information it had been given by its custodian. Rather than deliberately lying to Mr F, as he suggests, I think IG Markets acted this way because it wrongly didn't see it as its responsibility.

I appreciate Mr F was caused stress by the poor service he received. But he's not provided any new evidence which would lead me to depart from my earlier conclusion. I think £250 is fair and reasonable compensation in the circumstances.

My final decision

My final decision is that IG Markets Limited should pay Mr F £250 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 25 March 2025.

Elizabeth Dawes
Ombudsman