

The complaint

Mr L complains that Idealing.com Limited ("iDealing") has unfairly paid dividends on his investment account net of withholding tax. In addition, he says he received some dividends at a penny less than the amount due.

What happened

Mr L has been trading on his account with iDealing since December 2003. He has received dividends from his investments into his ISA cash account, on the shares held in his ISA and dividends on a Real Estate Investment Trust ("REIT").

Mr L complained to iDealing in October 2023 as he was unhappy that it had paid his dividends net of withholding tax and that he's received some dividends at a penny less than the amount he felt was due to him.

iDealing considered Mr L's complaint but didn't uphold it. In summary, it said:

- It distributed three dividend payments to Mr L's ISA account, derived from separate payments that it received from its nominee company.
- The payment of £392.58 received was received gross from the company's register directly to iDealing's nominee company in Crest for ISA accounts – meaning no tax was deducted.
- The next two payments were received as a market claim payment for trades that settled after the record date.
- Market claim payments arise when securities are not delivered to iDealing's pooled Nominee account by the record date, and they are made by the selling counterparty (for example a UK market-maker) responsible for delivering the securities, in order to compensate the buyer for not being on the Company register as at the record date and therefore for not having received a dividend.
- It was satisfied it had correctly distributed the dividends to Mr L and in accordance with its terms and conditions.
- In terms of the rounding down of dividends, it explained that in a nominee service, Mr L doesn't own his own individual holdings in a separate legal name. Rather the holdings are held in a pooled nominee.
- When iDealing distributes any dividend distribution payment it takes the total amount of the payment received by the nominee company, divided by the number of total shares entitled to that dividend, multiplied by the number of shares owned by a beneficial owner, and rounded down to the nearest penny.
- Again, it felt this was dealt with in its terms and conditions.

Mr L wasn't happy with iDealing's final response and so he referred his complaint to our service for an independent review.

One of our investigators considered Mr L's complaint and felt that iDealing hadn't treated him fairly. In summary, they said:

- UK government guidelines explain that it's an ISA manager's role to reclaim the tax paid on income distributions from REITs and that an ISA manager can pre-fund the income it expects to reclaim from HMRC.
- As such, they felt iDealing could have done more and reclaimed the withholding tax that was due to Mr L – filing a tax claim with HMRC on his behalf.
- iDealing is relying on its terms and conditions regarding corporate actions which they felt was incorrect as it's terms and conditions regarding dividends is most relevant.
- So they felt iDealing ought to have rounded up the amount received rather than rounding down.
- To put things right, they said they had to be pragmatic as the amounts due on the rounding down and the tax on the dividends are negligible. As such, they felt iDealing ought to refund the transfer out charges Mr L incurred moving to another platform, 8% per annum simple interest. They also said iDealing should pay Mr L £150 for the distress and inconvenience caused.

Mr L accepted the investigator's findings but iDealing didn't. In summary, it said:

- The investigator's interpretation of the HMRC guidance is incorrect, as it's not iDealing's role to reclaim tax withheld on dividends.
- ISA account holders have no entitlement or right in law to receive REIT payments gross in their ISA, and iDealing's terms and conditions provide no undertaking to do so.
- The HMRC guidance sets out steps that certain corporate entities may take, if they choose to do so, in order to receive REIT dividend payments gross, provided they are eligible in law to receive the payment gross.
- Although it is under no obligation to do so, iDealing had already taken those steps with respect to its nominee account in Crest for ISA accounts, and as a result does receive dividend payments from REITs gross into that nominee account.
- The dividend payment of £392.58 was received into iDealing's nominee company account gross and so there was no tax for it to reclaim in relation to that payment.
- However, the payments of £5.90 and £7.62 are not dividend payments and instead were market claim payments which were administered by Crest and are equal to the respective net dividend amount.
- iDealing did not receive these payments because it was not on the register on the record date for the shares and therefore did not receive the relevant dividend. compensate the buyer for not being on the Company register as at the record date and therefore for not having received a dividend.
- As iDealing did not receive the dividend, it will not have received any dividend tax voucher which it must be receipt of to reclaim any withholding tax from HMRC on a dividend payment.
- iDealing was acting in its capacity of an agent, not a principal and so, in relation to market claim payments, it could only pass along whatever it received from the market-counterparties.
- The only action iDealing could take is to ask the market-maker counterparty if they expect to make an additional market claim payment, which it has done and it has confirmed that no correcting payments are to be made.
- A dividend is a corporate action and so iDealing was entitled to rely on clause 25 of its terms and conditions to round down the dividend payment.
- So it didn't agree it had acted unfairly and as such, shouldn't compensate Mr L for any costs associated with transferring away from iDealing.

As iDealing disagreed with the investigator's findings, the complaint was passed to me to decide.

I issued my provisional findings on the complaint in April 2025, explaining why I felt iDealing hadn't acted unfairly and I include a copy below:

What I've provisionally 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.

Net dividends received on the REIT

I understand that our investigator relied on the UK government's guidance for ISA managers when upholding the complaint. However, having reviewed this further I can see that the guidance in respect of pooled nominee accounts says:

"UK-REITs make Property Income Distributions (PID), which normally have basic rate tax deducted at source.

[...]

If the manager operates a mixed or pooled nominee, [...] the PID must be paid after reduction of Income Tax at the basic rate.

As an interim measure, managers receiving a PID net can reclaim the tax in respect of their ISA investors from HMRC."

The above guidance makes it clear that payments must be paid after the reduction of Income Tax at the basic rate and so I don't think iDealing has acted unfairly in passing over the payments net of tax. I appreciate the guidance suggests iDealing can reclaim the tax from HMRC, but I don't think there is an obligation for it to do so.

iDealing has explained that the payments subject to Mr L's complaint of £5.90 and £7.62 were not dividend payments and instead were market claim payments. A market claim payment is a transfer of funds to ensure that the correct party receives the proceeds of a distribution and can occur when a transaction doesn't settle by the record date of a distribution. iDealing has explained that it did not receive these payments because it was not on the register on the record date for the shares. As such, it didn't receive any dividend tax voucher which it must be receipt of to reclaim any withholding tax from HMRC on a dividend payment. So even if I was to make a finding that iDealing should have reclaimed the tax on Mr L's behalf, it wouldn't be in a position to do so due to no dividend tax voucher being available.

Therefore, I'm satisfied that iDealing has acted fairly in making the payments net of tax and I find it reasonable that it's unable to reclaim any withholding tax from HMRC on Mr L's behalf.

Rounding down of dividend payments

iDealing has explained that it treats dividend payments as corporate actions and has relied upon the following term in terms and conditions when rounding down payments:

"25. Corporate Action:

[...]

Any entitlements received as a result of the pooled holding that cannot be divided between the eligible clients, or which are not taken up by you will be retained for the

account of iDealing.”

I appreciate that other firms may treat dividends slightly differently, however, that does not in itself mean that iDealing has done anything wrong.

I think the key question is whether iDealing is treating Mr L fairly and I’m satisfied that it is, in accordance with the terms and conditions applicable to his account. It’s clear from the above term that iDealing can treat dividends in the way it does.

I understand our investigator felt a different term regarding dividends was most relevant when considering this complaint point, which explains:

“23. Dividends: Dividends received by the Nominee Company will be passed to your relevant bank account on the day the dividend payment is cleared and reconciled.”

However, this term doesn’t determine the treatment of dividends and so I don’t think this term can be relied upon in isolation.

iDealing has explained that that in a nominee service, Mr L doesn’t own his own individual holdings in a separate legal name. And so his holdings, along with other investors’ are held in a pooled nominee. Therefore, I find it fair and reasonable that if iDealing cannot allocate the payment for the dividend declaration corporate action as round numbers, it is entitled to round down and keep the residual amount. As such, I don’t agree that Mr L has been treated unfairly in respect of him receiving a penny less on his dividend.

Responses to my provisional findings

iDealing accepted my provisional findings but Mr L didn’t. In summary, he said:

- His REIT holding was not new, and he’d previously had dividends paid without tax being withheld.
- The explanation of dividing the full nominee account dividend by the full number of shares and then multiplying by his holding to obtain a dividend figure makes sense, but he feels iDealing has calculated this incorrectly. No rounding down was required due to the round number of shares held, yet they still did it.
- The additional purchase of the REIT shares was completed through iDealing’s nominee account two days before for ex-div date (settling on the ex-div date) and one day prior to the record date. As such iDealing’s reasoning for not receiving the full dividend does not stand up to scrutiny.

As Mr L remained unhappy, the complaint has been passed back 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.

I understand Mr L feels no rounding down on many of his share dividends due to the round number of shares he held. iDealing has explained that whilst Mr L may have held round numbers of shares in certain investments, it is necessary to consider iDealing's nominee's holding as a whole to determine the dividends due to each investor. While iDealing hasn't provided calculations for every single holding of Mr L's for the purposes of demonstrating how dividends were rounded, it has provided some examples to show how these calculations are reached. I include one example provided below I include one example provided below which demonstrates that despite Mr L holding a round number, it was necessary for iDealing to round down his investment:

iDealing's nominee received a total dividend amount of £10,327.99 for one of Mr L's holdings in which he held 5,000 shares. The nominee's overall holding was 430,333 shares, so dividing the total amount by the number of shares held results in a rate of approximately £0.024 per share. And multiplying this number of shares by the rate per unit resulted in an unrounded entitlement of £119.999977; and it is clearly not possible to pay a fraction of a penny. So amount due to Mr L was therefore £119.99.

I find this explanation to be reasonable and so I remain satisfied that it was fair for iDealing to round down when necessary.

I appreciate Mr L says the purchase of his REIT shares completed two days before the ex-div date and one day prior to the record date. Having put this to iDealing, it explained that even if an individual client has purchased a security before the ex-date, it does not guarantee that the register will have been updated by the record date or that the nominee company will receive a dividend payment from the registrar rather than a market claim.

As explained in my provisional findings, the two payments of £5.90 and £7.62 were received by iDealing as market claims and so it didn't receive any dividend tax voucher which it must be in receipt of to reclaim any withholding tax from HMRC. So even if I was to make a finding that iDealing should have reclaimed the tax on Mr L's behalf, it wouldn't be in a position to do so due to no dividend tax voucher being available.

In the absence of evidence to show iDealing didn't receive the payments as market claims, I'm still persuaded that iDealing isn't at fault that withholding tax was deducted from Mr L's two payments.

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 L to accept or reject my decision before 7 July 2025.

Ben Waites
Ombudsman