

The complaint

Mr L complains about the early withdrawal penalty Newcastle Building Society (NBS) applied when he transferred his ISA account balance to an account elsewhere.

What happened

On 6 August 2019 Mr L applied online for a 5 year fixed rate cash ISA with NBS. When his ISA was opened Mr L credited his account with £20000. On 16 March 2020 Mr L submitted an ISA transfer request to NBS as he wanted to transfer his cash ISA balance to a stocks and shares ISA with another provider.

On 20 March 2020 NBS wrote to Mr L explaining that it couldn't complete his request because it needed to confirm he was happy to accept the early withdrawal penalty it was intending to apply to his account balance. And it said the penalty for transferring funds prior to the ISA maturity date would be 365 days loss of interest.

Mr L contacted NBS on 26 March 2020 and was reminded he would incur a penalty of 365 days of interest if he was to proceed with his transfer request. NBS said it informed Mr L that, if insufficient interest had accrued, the remaining penalty would be deducted from his closing capital.

Mr L told NBS he was unhappy with the penalty it proposed to apply. But he asked it to proceed with his transfer in any event. So, on 27 March 2020 NBS closed Mr L's account and transferred his funds to another provider in line with his instructions.

As part of the transfer process NBS deducted £424 from Mr L's account balance, which included a deduction from his capital balance. Mr L disputed that NBS had properly calculated his penalty and complained.

When NBS responded to Mr L's complaint it provided him with an interest penalty calculation. And it explained that because Mr L's account hadn't been open for 365 days, he hadn't accrued 365 days' worth of interest. So, it had deducted part of the early withdrawal penalty from his closing capital. It said information about how deductions are made had been provided to Mr L when he opened his account. So, it didn't uphold his complaint.

Mr L felt information about early withdrawal penalties hadn't been sufficiently drawn to his attention and he said he'd been misled. So, he referred his complaint to our service. Our investigator looked into what happened but didn't recommend upholding his complaint. They were persuaded that NBS had presented clear information about how it deducted penalty interest and thought it had acted in line with the terms and conditions applicable to Mr L's ISA. They therefore didn't think NBS had treated Mr L unfairly. But Mr L disagreed with our investigator and asked an ombudsman to decide his complaint.

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'm sorry to hear about the difficulties Mr L experienced here. I understand he feels very strongly about the issues raised in this complaint and I can see he's gone to some trouble to provide our service with some very detailed submissions. I want to assure him that I've read everything he's sent us. I hope he'll understand if I don't address every comment he's made in this decision. I intend to concentrate on what I consider to be key to this complaint; namely whether NBS provided adequate and clear information that it would apply an early withdrawal penalty if he closed his ISA prior to the maturity date.

Mr L opened his account online. And NBS has provided our service with a screenshot from its website showing what Mr L would have seen prior to finalising his application to open his ISA account. The screenshot I've seen satisfies me that NBS would have shown Mr L links to the general terms and conditions and special conditions of his ISA product.

I can see NBS' website requires its customers to tick a box which states *"I can confirm that I have downloaded, read and agree to both the Savings General Terms and Conditions and the Newcastle Five Year Fixed Rate ISA (Issue 30) Product Special Conditions"*.

This persuades me that Mr L wouldn't have been able to proceed with the account opening process unless he'd downloaded and agreed to the special conditions and general terms and conditions. The onus was on Mr L to read these documents before finalising the account opening process. I can't fairly hold NBS responsible if he failed to do so.

The key facts document Mr L would have had access to contains a summary box, which lists a series of questions. In answer to the question *"can I withdraw money?"* the document states *"withdrawals/transfers are permitted subject to 365 days loss of interest"*.

The special conditions that apply to Mr L's ISA also make clear that withdrawals or transfers can be made subject to 365 days loss of interest. But they go on to outline that if the interest earned isn't enough to cover the early withdrawal penalty it will be deducted from a customer's closing capital. The conditions state *"closure of the account or transfers to another account with the Society or to another provider are classed as withdrawals"*.

Based on the information I've seen I'm satisfied NBS provided transparent and unambiguous information to Mr L during the account opening process that his closing capital would be at risk of an early withdrawal penalty if he decided to close his account before accruing 365 days' worth of interest. I think he was given enough information to enable him to make an informed choice as to whether the ISA he opened was suitable for his requirements. I therefore don't believe he was misled during the account opening process.

I also think that, after Mr L notified NBS he wanted to transfer his ISA balance to another provider, it informed him on at least two further occasions that his withdrawal would be subject to an early withdrawal penalty that would affect his capital. I say this because NBS sent him a letter on 20 March 2020, which clearly stated he'd lose 365 days interest if his ISA balance was transferred prior to the maturity date. NBS also explained this again to Mr L over the telephone on 26 March 2020. He chose to proceed with his withdrawal in light of that information. And I think he ought reasonably to have known that, in doing so, the early withdrawal penalty would be deducted from his capital.

In the overall circumstances of this complaint I'm satisfied the interest NBS deducted from Mr L's account balance was in line with the terms of his account. It follows that I can't fairly ask NSB to reduce the early withdrawal penalty it applied here.

I understand that Mr L has told our investigator he'd like our service to tell NBS to change the way it presents information to its customers about early withdrawal penalties. However, there were limitations as to what our service can do here on Mr L's behalf. The Financial Ombudsman Service is not a regulator. We provide informal dispute resolution. So, I don't have the power to tell NBS to make the changes Mr L feels it should make.

I know that Mr L will be disappointed by this decision and I appreciate the reasons why he brought his complaint to our service. But for the reasons given I'm not persuaded NBS did anything wrong here. So, I can't fairly uphold this complaint.

This now brings to an end what we, in trying to resolve Mr L's dispute with NBS informally, can do for him. I'm sorry we can't help Mr L further on this.

My final decision

My final decision is that I don't 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 23 November 2020.

Julie Robertson
Ombudsman