

The complaint

Mr R complained that Paragon Bank Plc failed to allocate a deposit he'd made into his ISA account with them and, as a result, it missed the tax year cut off for that year's contributions.

What happened

Mr R arranged for £13,000 to be transferred from his bank account, with another provider, to his Paragon Easy Access Cash ISA on Friday 3 April 2020.

On Monday 6 April 2020, Mr R received a telephone call from Paragon. They said that the transferred amount was being held on a suspense account. They said that they needed him to agree to an ISA declaration. Because of this, the deposit wouldn't now qualify as a contribution for the 2019/20 tax year, but they could deposit it against his 2020/21 tax year contribution.

Mr R wasn't happy with what Paragon told him. He thought that it was Paragon's fault that the deposit had missed the cut off for the tax year end. So, he said that he wanted to raise an official complaint.

Paragon wrote to Mr R on 15 April 2020. They'd investigated his complaint, but they didn't think they'd done anything wrong. Paragon said that they'd been unable to allocate the deposit to his ISA on the day it was received. This was because they required a valid ISA declaration for the 2019/20 tax year. They said he'd signed a declaration when he opened the ISA with them in January 2019 for the tax year 2018/19 and each subsequent year. But, because he'd made no ISA deposits during the 2018/19 tax year, the declaration was invalidated for future years.

Mr R didn't agree with Paragon. He said that Paragon hadn't told him about his declaration being invalidated before then. Mr R didn't think they'd made the requirement clear. He also wasn't happy that, despite depositing the funds on 3 April 2020, they didn't contact him until 6 April 2020 – after the end of the tax year. Mr R decided to refer his complaint to this service.

One of our investigators considered Mr R's complaint. She didn't think that Paragon had done anything wrong here. She said that while it would've been helpful if Paragon's website had included a message to inform him that a new declaration was required, they weren't required to do this.

Mr R disagreed. So, he asked for his complaint to be referred to an ombudsman for a final decision.

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.

Both Mr R and Paragon have confirmed that Mr R's Cash ISA was opened on 17 January 2019. At that time, Mr R arranged for the balance of an existing ISA account, with another provider, to be transferred across. I believe that these funds had accumulated under previous tax year allowance(s). So, they didn't form part of a contribution for the tax year 2018/19.

I've seen statements for Mr R's ISA account. They confirm that Mr R made no qualifying contributions to his ISA with Paragon during the 2018/19 tax year.

HMRC provide guidance in relation to ISAs on the GOV.UK website. Their guidance is entitled *"Information you need from investors when they apply for an ISA"*. Under *"Applications to subscribe to an ISA"*, it says

"Applications are valid for subscriptions and payments made in:

- *The year of application*
- *Each successive year following the year of application, in which the applicant subscribes to the ISA...*

This allows a continuous subscription/payment by direct debit or standing order, provided at least one payment is made in each tax year". It also says, "Other than for a lifetime ISA, applications cease to be valid at the end of a tax year in which the investor fails to make a subscription".

On the basis that Mr R didn't appear to have contributed to his Paragon ISA during the 2018/19 tax year, HMRC's guidance suggests that he'd need to complete a new application and/or declaration, before further contributions could be made in the following tax years. So, I agree with Paragon on this point – a new declaration was required.

Mr R said that he completed the transfer by way of an on-line Faster Payment transaction from his bank account with another provider. He said that the transaction was completed on Friday 3 April 2020 at 13:08. Paragon have told us that there is a cut off time of 16:00 to address any rejected deposits received. Paragon have provided evidence to show that the deposit was rejected and automatically applied to a suspense account on Friday 3 April 2020 at 16:10:59.

Mr R said that he sent the deposit payment *"well before the cut-off Paragon quote at 4pm and in plenty of time to meet the cut-off"*.

The Faster Payment Scheme provide their own guidance about how long Faster Payments take. They say that *"Provided the sending and receiving bank/building society are Direct Participants of Faster Payments, payments are usually available almost immediately, although they can sometimes take up to two hours. These timescales can still apply if either the sending or receiving bank is not a Direct Participant of Faster Payments. Some payments will take longer...all financial institutions in the UK must abide by the Payment Services Directive...any payments made...must arrive by the end of the following business day at the latest"*.

I can't see that Paragon are included on the list of Direct Participants. So, it's reasonable to conclude that a faster payment could take longer before being received by them.

It's also relevant to say that Paragon are not a direct user of the UK bank clearing system. Their literature and website confirm that they use a third-party UK bank to clear any payments to or from accounts held with them. Paragon say, *"This means that funds will go through" the third-party clearing bank "before they reach your savings account"*. So, again it is reasonable to conclude that any payments could be subject to longer timescales before they are applied to a Paragon account.

Mr R said that he followed all the guidance given by Paragon on their website. He said there was *"no reference to the need for a supplementary ISA declaration"*. I agree with Mr R on this point. I've looked at Paragon's website and terms and conditions. They make no reference to this requirement. Mr R also said that Paragon had never written to him to say that a new declaration was required.

It's relevant, at this point, to state that it's not the role of this service to ask a business to alter or amend its terms, policies or processes. But it is our role to examine and decided

whether Paragon have been fair and reasonable in the manner in which those policies and procedures are applied in the individual circumstances of Mr R.

The requirement for a new ISA declaration is one that's set by HMRC – not Paragon. So, it doesn't appear to form part of Paragon's own terms and conditions specifically. While it would've been helpful if Paragon had referenced this, I can't reasonably hold Paragon responsible for not including it in their own guidance and literature. All of HMRC's requirements are available via the GOV.UK website.

Mr R pointed out that government guidance to ISA providers says that they *"have a responsibility...to make arrangements to examine, before the end of the tax year, all applications received to ensure they are complete"*. But Mr R wasn't submitting a new application here. The deposit was to an existing ISA account.

I think it's also relevant here that Mr R's deposit was made on the afternoon of the last business day before the tax year end. Unfortunately, Paragon said that their finance team handle any rejected payments of this type. But that team didn't operate over the weekend. This is their own policy and is, therefore, a business decision and not one that falls within our remit to challenge. Unfortunately, this meant that steps couldn't be taken to address and apply Mr R's rejected deposit to his ISA account before the tax year end.

I completely understand Mr R's frustration and disappointment about what happened here. It's unfortunate, but I believe that if his payment had been made a day or two earlier, the matter may well have been resolved in time. On balance, I can't reasonably say that Paragon have been unfair here. Mr R's deposit was rejected to a suspense account after Paragon's cut off of 4pm on the last business day of the tax year. Paragon did contact Mr R promptly the next business day. Unfortunately, this was after the tax year end. I can't see that they had any other options here.

So, on balance, I can't say that Paragon have done anything wrong. So, in these circumstances, I won't be upholding Mr R's complaint.

My final decision

For the reasons set out above, I don't uphold Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 27 July 2021.

Dave Morgan
Ombudsman