

## **The complaint**

Mr and Mrs L complaint that National Savings and Investments (NSI) did not correctly process a transfer of a Children's Bond to Premium Bonds, leading to the loss of opportunities to win up to £1 million.

## **What happened**

When Mr and Mrs L's son was born in 2005, they invested in an NSI Children's Bond, with the intention that their son would receive a cash payment when he was 21. At the time, the Bond could be held until the beneficiary's 21st birthday. The bond was to be operated and managed by Mr and Mrs L until their son's 16th birthday.

NSI subsequently withdrew the Children's Bond. A few months before Mr and Mrs L's son's 16th birthday, it therefore gave them the option of closing it and transferring the funds elsewhere. Mr and Mrs L decided to invest the money in premium bonds.

Mrs L completed a form requesting the transfer on 14 July 2021. The following day, NSI asked that Mr L complete the form as well, as the bond was operated by both parents. When that form was received, however, NSI asked again for Mrs L's signature. It acknowledges that was an error on its part. NSI has said too that the application was then sent to the wrong department, meaning that setting up the Premium Bond account was further delayed. NSI also wrote to Mr and Mrs L's son about the transfer. They say that until then he did not know that they had invested any money for him.

NSI has offered £50 in recognition of the distress and inconvenience caused. It says too that it has backdated the premium bonds to July 2021 and that they have therefore been eligible for prizes from September 2021 – but have not won any prizes.

One of our investigators considered what had happened but thought that NSI's offer was reasonable in the circumstances. Mr and Mrs L did not agree and asked that an ombudsman review the case.

## **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'll deal first with the concern that NSI wrote to Mr and Mrs L's son about the Bond. The brochure about the Children's Bond explains that, once a child is 16, they take responsibility for their own Bond and that, from then, any correspondence is sent to the child. In the circumstances, it does not seem unreasonable that NSI wrote to Mr and Mrs L's son shortly before his 16th birthday.

NSI accepts that there were some administrative errors and has apologised for that. Mr and Mrs L say however that the delays meant that opportunities to win up to £1 million were lost.

NSI says however that the Premium Bonds were backdated to July. Its information about Premium Bonds includes:

*“In most cases, you’ll need to hold them for a whole month before they’re eligible for the prize draw. For example, if you buy Premium Bonds any time in November, they’ll be in the draw in January”*

Premium Bonds bought in July 2021, therefore, would not have been eligible for the prize draw until September 2021. NSI says that it has checked the draws back to September 2021 and that no opportunity to enter the draw has therefore been missed. It says too that the Premium Bonds purchased did not win any prizes and that there has not therefore been any actual financial loss arising from its errors.

I accept that NSI did backdate the Premium Bonds and that there was no loss.

Even if any prize draws had been missed, however, it would not be right to approach compensation on the assumption that a prize or prizes would have been won. It would not be right either to do so on the assumption that the Premium Bonds would not have won anything. In any given month, only a small percentage of Premium Bond holders win anything at all, and prizes range from £25 to £1 million.

NSI says that, for each £1 held in Premium Bonds, there is a 1 in 34,500 chance of winning a prize. That is in line with independent information. The number of prizes of each value varies according to the total number of Bonds held. In May 2022, for example, there were two winners of £1 million, six £100,000 prizes, while over 3 million people won £25.

In my view, the fair way to approach compensation here is to calculate an equivalent rate of interest based on the probability of winning a prize over the course of a year. The current equivalent rate is about 2.3% a year. That is, the mean average prize money won by someone holding £100 in Premium Bonds for a year is around £2.30. The fund in this case was a little under £800; interest at 2.3% a year on that is just over £18.

I believe that NSI has acted fairly by backdating the Premium Bond and checking prize draws from September 2021. But, even if I took a different view on that, any likely losses – calculated on the basis I have set out above – are no more than a few pounds and adequately covered by the offer already made.

### **Putting things right**

NSI has acknowledged that it made a mistake here and I agree that it should pay some compensation. I think however that its offer is fair. I will nevertheless make a formal award, so that it can be enforced if necessary.

### **My final decision**

For the reasons I have set out above, my final decision is that National Savings and Investments should pay £50 to resolve this complaint in full.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L and Mrs L to accept or reject my decision before 16 June 2022.

Mike Ingram  
**Ombudsman**