

The complaint

Mr W complains that due to issues in setting up his Junior ISA with National Savings and Investments (NS&I) he didn't receive the correct amount of interest and the total value of his ISA was permanently reduced.

Mr W is represented by a family member but for ease of reference I have referred to Mr W throughout this decision.

What happened

In May 2020, an online application was made for a junior ISA for Mr W. The required forms were signed on 24 May 2020 and returned to NS&I. The forms were sent to the bank from which the transfer would take place on 11 June and a letter sent confirming that the funds would be in the accounts within 15 days. The money was received by NS&I on 19 June 2020.

An error was made in regard to Mr W's account which resulted in the interest start date being recorded as 4 August 2020 rather than 19 June 2020. Incorrect information was then given about interest being earned from when an account is opened rather than from when funds are received. Copies of the account statements were requested. These weren't received and had to be chased over the coming months. The transfer from the NS&I junior ISA took place on 24 May 2021.

NS&I says that interest should be earned on Junior ISAs from the date the funds are received. It acknowledged the delay in statements being sent but said these weren't needed to make the transfer from its Junior ISA to the other chosen account. In regard to Mr W's account it said that the funds were received on 19 June 2020 and a further amount received on 4 August 2020. Mr W's account was then incorrectly cancelled, and a new account set up. NS&I noted that the error with Mr W's account resulted in him losing interest which it calculated to be £105.63. The transfer out of the account took place on 24 May 2021.

Our investigator upheld this complaint. He said that Mr W should be paid the lost interest arising from the errors as well as an amount to recognise that as the maximum amount had been made to the junior ISA in each tax year this amount couldn't be applied to the junior ISA and would therefore affect the ISA value. He said the exact shortfall could be identified from the statements at the year end. As he thought it reasonable to accept that the account would remain open until maturity (when Mr W reaches 18 years old) he thought interest at a rate of 8% simple per year on the lost interest should be paid for the seven years until the ISA's maturity.

Our investigator also noted other service issues and recommend that additional to the previous compensation payments, a further £120 was paid.

NS&I accepted our investigator's view. Further comments were raised on behalf of Mr W.

My provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- Errors were made in regard to Mr W's junior ISA which meant interest wasn't applied from the correct date (the date the funds were received). NS&I accepted that interest was lost and should be refunded. Our investigator recommended that a payment of £106.46 was made for the lost interest. I found the amount recommended by our investigator was reasonable.
- As Mr W's ISA had a lower value due to the lost interest and this was then transferred to another provider. I agreed with our investigator that redress should be applied to reflect the impact of this. It was recommended that the difference between Mr W's fund value at the end of the financial year (April 2022) and what it would have been had the interest been correctly applied should be calculated (less the £106.46 being paid) and that this amount be paid to Mr W. I found this reasonable.
- Given the timing issue and that Mr W was expected to have a junior ISA in place until maturity (when he is 18 years old), it was recommended that simple interest of 8% per annum for seven years was paid on the lost interest amount of £106.46. This was agreed by NS&I and I thought this reasonable.
- Our investigator noted the compensation that had been awarded through the investigation of this complaint. Compensation had previously been awarded to Mr W's representative as she was dealing with the complaint. However, as the complainant in this complaint was Mr W I considered the service issues relevant to him. In our investigator's view he recommended that a further £120 of compensation be paid. NS&I confirmed it agreed to pay this amount to Mr W. Given the issues raised through this complaint and NS&I's agreement to pay the additional compensation to Mr W I found this a reasonable outcome.

NS&I accepted my provisional decision.

Mr W said that the interest being applied for seven years didn't fully reflect the period until his 18th birthday and confirmed his date of birth.

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.

This complaint was initially raised as part of a wider complaint including other junior ISAs and wider service issues experienced by Mr W's family member. However, as the subject of this complaint is Mr W's junior ISA this decision relates only to the issues relevant to his junior ISA and his experience regarding this.

As set out in my provisional decision, errors were made in regard to Mr W's junior ISA. In order to put Mr W back in the position he would have been had the errors not happened, I find it reasonable that Mr W is paid £106.46 for the lost interest along with the difference between Mr W's fund value at the end of the financial year (April 2022) and what it would have been had the interest been correctly applied should be calculated (less the £106.46 being paid).

The recommended redress also included a payment of simple interest of 8% per annum on the lost interest amount of £106.46 for seven years. The seven-year period was intended to reflect the period to when Mr W turned 18. Mr W confirmed his date of birth and said that interest should be applied from June 2020 until he turned 18 in May 2029. I agree that the

end date should be when Mr W turns 18. However, I think it reasonable that interest is paid from the end of the financial year (April 2022) as has previously been set out as this is additional to the other redress measures being taken to ensure Mr W is compensated for the issues that arose. The additional interest is then to be paid on this amount to reflect the period going forward until when Mr W turns 18.

Our investigator recommended that a further £120 of compensation be paid. NS&I confirmed it agreed to pay this amount to Mr W. Given the issues raised through this complaint and NS&I's agreement to pay the additional compensation to Mr W I think this a reasonable outcome.

Putting things right

National Savings and Investments should:

- Pay £106.46 for the loss of interest.
- Pay the difference in fund value (between Mr W and the other comparable account), less £106.46 (statements to be provided to evidence this).
- Pay simple interest of 8% per annum for £106.46 from the end of the financial year (April 2022) until Mr A turns 18 (May 2029).

National Savings and Investments has also confirmed it will pay further compensation of £120 to Mr W (additional to other payments made through the investigation of this complaint) which I find reasonable.

My final decision

My final decision is that I uphold this complaint. National Savings and Investments should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 October 2022.

Jane Archer
Ombudsman