

The complaint

Mr L complains that Family Equity Plan Limited (Family) did not follow his instructions to transfer a matured Individual Savings Account (ISA) only, which resulted him incurring a breakage charge and a loss of interest on another ISA he held with them.

What happened

Mr L opened a one year and a two year fixed rate ISA with Family. When the one year ISA matured, he attempted to transfer this to a third party building society, but Mr L says that the transfer was rejected by Family, without any explanation.

Mr L instructed the third party provider again to transfer his one year ISA, but Family transferred both his matured ISA and his two year fixed ISA to the third party and Family charged Mr L a breakage charge of £166.43 and he wasn't able to benefit from the remaining interest on the two year ISA.

Mr L contacted Family who informed him that although he held two products with them, he only had one ISA with them, and all of the money needed to be transferred at the same time. Mr L says that Family made no attempt to warn him that all the money had to be transferred and that he would incur a breakage charge. Mr L made a complaint to Family.

Family did not uphold Mr L's complaint. They said that their key information pack explained that customers can only have one Online ISA, but that they can open multiple separate products within the ISA. They said that the section in the pack about transferring an ISA to another provider explains that partial transfers aren't allowed, and he wouldn't be able to transfer out individual products in his account. Family said they explained how the ISA works on the front page of their Online ISA website and they also referred Mr L to the secured messages they sent him about his fixed rate ending, where it stated that any fixed rate products within his Online ISA that were still within their fixed term would be subject to a breakage charge. He was referred to his terms and conditions for further details.

Mr L brought his complaint to our service. Our investigator did not uphold Mr L's complaint. He said that based on the wording of the terms and conditions that Mr L agreed to, they clearly explained that it was a single ISA which could hold multiple products. Our investigator said that he wouldn't expect Family to get in touch with Mr L to inform him he was breaking his deal prior to doing so, as Mr L had been able to access the terms of his account where the information was explained in full. He also said that while Mr L may have indicated that he wanted only the maturing product to be transferred, when Family received the transfer request, they would action it in accordance with the terms and conditions. As the terms clearly explain the whole account would be transferred, this was completed by Family.

Mr L asked for an Ombudsman to review his complaint. He made a number of points. In summary he said the ISA was marketed as a one year product, unbeknownst to him, there was no way he could receive his money back on the one year product without incurring a breakage charge on the two year product and it was a misleading/mislabelled product. He said that the Online ISA was composed of two products. He said he never asked them to transfer his full ISA, as he only asked for one product to be transferred and he gave them

only the product code to transfer and not the ISA code, which was different.

Mr L said his first request was rejected with no explanation and his second request, which was the same instruction to transfer the one product, resulted in his full ISA being transferred, so Family couldn't have followed their terms and conditions when both transfer requests were the same but one was rejected and he asked why Family didn't contact him to let him know the issue. Mr L also said that the Online ISA was not consistent with outcomes 3, 5 and 6 of the Financial Conduct Authority principles for the fair treatment of customers.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr L has made a number of points to this service and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.

I've looked at the journey Mr L would have taken to open his Online ISA. Family have confirmed to me that their website wording hasn't changed since he applied for his account. The ISA website shows the different types of ISA's that are available. Further down the page, it says "how it works". So I've had a look to see if this section clearly explains that the Online ISA is one account which can hold other ISA's, but won't allow partial transfers. This section starts with "our Online ISA gives you the ability to take advantage of fixed rates and variable rates all within one account." So I am persuaded that it's clear here that the Online ISA is one ISA account which can hold different products.

On the same page there is a cancellation section which says "you cannot 'cancel' individual products that you've selected to open within your Online ISA." It also says that "partial transfers are not permitted, and you will not be able to transfer out individual products held within your Online ISA".

So I can't agree with Mr L that Family have misled him with how the account works, as the website clearly states that you would not be able to transfer out individual products held within the Online ISA. The same section also says "if you decide to transfer your Online ISA and you have a product which is within a fixed term, you'll incur a Breakage Charge. If the interest you've earned doesn't cover this, you'll get back less than what you put in". This is what happened when Mr L was attempting to transfer his matured product out of his Online ISA, that there was going to be a breakage charge as he still had a two year fixed rate ISA which hadn't matured yet. So I'm persuaded that the language used was clear and Mr L was made aware of these factors when he decided to apply for the account and that Family treated him fairly by applying the terms and conditions he agreed to.

Before the apply button at the end of the page, there is a definition section which goes into more detail of certain definitions, of which breakage charge is one of them. Again this includes text about transferring or closing an Online ISA while a product is in a fixed term. In addition, there is a frequently asked questions section. The question which relates to Mr L here asks "can I transfer my Online ISA to another provider?" I'm satisfied the text used here is clear: "if you have paid in to multiple products within your Online ISA you cannot transfer out a single product. You'll have to close your whole Online ISA and transfer out the total value. This may mean that you'll incur Breakage Charges, dependent on the products you hold within your Online ISA". So as Mr L still had a fixed rate product within his Online ISA, this is why he would incur the breakage charge, as the whole of the Online ISA would need to be transferred. This is because Family are clear they don't allow partial transfers and this

is in bold text on the aforementioned section where it states “partial transfers are not permitted”.

The next part of the user journey would involve clicking “apply for an Online ISA account”. This displays a summary box. There is another section here about withdrawals and money movements and again it states under the heading “transfers” that “partial transfers are not permitted, and you will not be able to transfer individual products held in your Online ISA. You can, however, transfer your Online ISA in full to another ISA at any time. If you transfer your Online ISA and you have money in a Fixed Rate product which is in its fixed term, a breakage charge will be applied to that product.”

By clicking on “start application” on the same page as the summary box, the very first section has in large letters “before you begin”. This section instructs the user to read the “key information pack” before beginning the application to be “satisfied this account is right for you”. This link opens up the terms and conditions and I’m satisfied the wording is clear and in line with the excerpts I’ve already included above of the other sections prior to this section. Before clicking on the “next” button of the application form it asks the user to read the key information pack and there is a tick box to say “I have kept a copy of the key information pack and I confirm I have received the Deposit Information Sheet included within”.

I tried to click on the next button without ticking this box to see it would allow me to continue with the application, but it would not. Therefore, I’m persuaded it would be fair and reasonable for Family to hold Mr L to their terms and conditions as he would have needed to agree to have read and kept a copy of these from the key information pack before proceeding with his application. Even when you click the next button, the following page has a “can we help” section on the right hand side of the website, which includes the frequently asked questions section and the key information pack section. So if Mr L didn’t think the terms and conditions were clear by this point, I would have expected him to contact Family directly to ask any questions before he completed his application.

With each type of ISA available to hold in the Online ISA, Family have a link to a summary box if you click on the “open PDF” for each product. I’ve opened this for each product where it again reiterates that you won’t be able to transfer individual products held within the Online ISA. And the personal details page (after clicking “next”) also has in a prominent position on the right hand side of the page, the frequently asked questions and the key information pack.

I’m satisfied that Family have made it very clear across multiple sections of the application process of how their products work and what would happen if you wanted to transfer money out. Even if Mr L may not have read through the information on the initial webpages, it couldn’t be avoided when you clicked start application, and the instructions in bold clearly ask the user to read the key information pack before progressing to the application – which also includes links to the frequently asked questions and key information pack which, in my opinion, clearly explain that the Online ISA can hold different individual products in it, but won’t allow partial transfers out, only full transfers, and if any products are in a fixed rate, then there would be a breakage charge.

I’ve considered what Mr L has said regarding how there was no way he could receive his money back on the one year product without incurring a breakage charge on the two year product. But different customers will save for different purposes. Some customers may be saving for a specific purpose or need money at certain times. Some customers might find it useful to have some funds tied up on higher fixed rates that they can leave and not worry about, while also having some money that can be withdrawn without penalty in an emergency.

So if a customer had a one year and a two year product, I would expect Family to follow the

terms and conditions in which they entered into with the customer. I can see that Family notified Mr L that the one year product was maturing and gave him options of what he could do with the money. It's important to say that the matured funds did not have to stay in a holding account, Mr L could have moved them to the Easy ISA account – which pays a higher interest rate than the holding account the matured funds would be paid into, or he could have chosen to fix the interest rate for one year to coincide with the two year fixed ISA. Alternatively he could have put the matured funds into a two year fixed rate, or he could have withdrawn the cash from the matured one year ISA if he needed access to the money – without incurring a breakage charge (although he would lose any tax advantages of holding this money within an ISA wrapper).

Also, if interest rates did increase during the term, then higher interest rates may be available for Mr L's funds on maturity after one year, so I'm satisfied it's reasonable for Family to have different interest rates and access for different products, where the terms and conditions of the individual products are different. So I'm satisfied there would be reasons why a one and a two year product would be favourable to some customers and there would be options at the end of a one year term for Mr L, without incurring a breakage charge.

Family have provided me a secure message they sent Mr L on 23 April 2021. This informs him that one of his ISA products is maturing. It gives him three options what he can do with the money and the third option is "transfer to another provider". Here it states "once you've chosen a new provider and completed an application with them, they'll contact us to arrange your transfer. Please note partial transfers are not permitted". In bold text, the message states "any fixed rate products within your Online ISA that are still within their fixed term will be subject to a breakage charge. For further details see your Online terms and conditions."

So if Mr L had forgotten that the Online ISA comprised of multiple products in the year since he opened his account, I'm satisfied the secure message reiterates what he was told multiple times when applying for his account.

I've considered what Mr L has said about him never asking Family to transfer his full ISA as he only asked for one product to be transferred. And I asked Family why they did not action the first transfer request if both requests were identical. So I asked Family for the transfer information that the third party building society had sent them on both occasions. Family sent me both of the electronic transfer requests from the third party building society. This shows both the ISA wrapper number and the product number. So I can't agree with Mr L that only the product number was displayed. But even if he would have only just provided the product number to the third party, then Family would transfer the full ISA account anyway based on the terms and conditions of his account, which Mr L agreed to at application stage. As they would be following the terms and conditions of the account, it would not be proportionate for Family to contact Mr L here.

In addition, the transfer requests were not identical. The first request was not actioned as it shows Mr L had "chosen to wait for full notice period". So because the two year ISA had not matured yet, this is why the initial transfer did not happen as there would be a breakage charge for transferring the full ISA (as partial transfers weren't allowed). So this would have been actioned on 6 May 2022 if Mr L had not abandoned this transfer request due to him submitting another transfer request.

The second transfer request was different as it states Mr L "has not chosen to wait for full notice period". This is why the transfer was actioned. In line with the terms and conditions which had been highlighted several times and at the application stage and on maturity, that partial transfers are not permitted, then this incurred a breakage charge as his new provider told Family that Mr L didn't want to wait for the full notice period to expire before transferring his ISA. So I'm satisfied Family acted in line with their terms and conditions for both transfer

requests.

I've considered what Mr L has said about the Online ISA not being consistent with outcomes 3, 5 and 6 of the Financial Conduct Authority principles for the fair treatment of customers. But I'm not persuaded by this. I say this as I'm satisfied that Mr L was provided with clear information before, during and after the point of sale for the reasons I've previously given. I'm also persuaded that Mr L was also provided with products that performed as Family led him to expect and the associated service was of an acceptable standard as he was led to expect.

I'm not persuaded that Mr L faced any unreasonable post sale barriers imposed by Family when he attempted to switch provider as they followed his instructions on both of the transfer requests, firstly by waiting until the full notice period expired and secondly by not waiting for the full notice period to expire as per Mr L's instructions. So it follows I don't intend to ask Family to do anything else."

I invited both parties to let me have any further submissions before I reached a final decision. Family said they had nothing to add to the provisional decision. Mr L did not accept the provisional decision and he made a number of points. In summary he said he believed he went through two journeys to transfer his ISA's to Family and so he had two ISA's from two opening processes. He said he believed at all times, from start to end he had two ISA's and he acted accordingly.

Mr L said that there were a multitude of errors in my provisional decision and it turns out these were not ISA's at all, just products. He said that while I said the Family website was clear that the Online ISA is one account which can hold other ISA's, it actually couldn't hold multiple ISA's. He asked where he could take cash in the maturity correspondence he received from Family and said there was no such thing as an Easy ISA account and he did not receive an explanation of how to withdraw his funds without a breakage charge. He also asked why Family would ask for the product number when transferring the ISA to a third party if it was irrelevant.

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've considered what Mr L has said about there not being any ISA's at all and these are just products. I'd like to first of all clear up any misunderstanding. The account Mr L had was an Online ISA. This can contain multiple products which could be either fixed for one year, two years or be accessible. But these products would be ISA wrapped. So they are not just "products", they are products held within an ISA and as such are ISA wrapped. The Key Information Pack, which Mr L will have needed to confirm he read and kept a copy of, also shows an example of "how you could split your cash ISA savings into multiple products in your account". This shows the Online ISA holding money in easy access, fixed rate one year and fixed rate two years.

I've considered what Mr L has said about making two online journeys. But Mr L would have seen the warnings on the website on two occasions as opposed to once. So he should have been aware from the Family website that "you can only have one Online ISA, any additional products you open will form part of your existing Online ISA". So if Mr L had indeed made two journeys to open a one year and a two year product as part of his Online ISA, I'm satisfied the wording here would show that the second product he opened would form part of his Online ISA, which would hold both products. Although Mr L has said it can't hold multiple ISA's, it can - as the one year and two year products were ISA wrapped as I've already

explained.

Mr L has highlighted that there is no “Easy ISA”. The term which Family use is “Easy Access” (which would be ISA wrapped as part of his Online ISA). But I’m not persuaded this changes what I said in my provisional decision. I say this as I would still expect Family to follow the terms and conditions in which they entered into with Mr L. He could have moved the maturing funds into a different product – one of these would be the Easy Access product which would be ISA wrapped, held within the same Online ISA, or he could have chosen to fix the interest rate for one year to coincide with the two year fixed rate product which was currently ISA wrapped as part of the Online ISA or he could have withdrawn the matured funds without incurring a breakage charge.

Mr L asked where it said he could take cash in the maturity correspondence he received from Family. There were three options which the maturity correspondence showed. Under option two “*withdraw part or all of your money*”, Family could transfer the cash from the maturing product into a nominated account, where Mr L would be free to do what he wanted with it. Mr L says he did not receive an explanation of how to withdraw his funds without a breakage charge. But as his one year fixed rate product which was ISA wrapped and held in the Online ISA had matured, he would have been able to withdraw the funds without a breakage charge.

Mr L would have also been able to open a new product within the Online ISA without a breakage charge using the matured funds. It would be only if he transferred the Online ISA that he would incur a breakage charge if there were any fixed rate products within his Online ISA that were still within the fixed rate period. As Mr L still had a two year fixed rate product which was ISA wrapped within his Online ISA when his one year fixed product matured, that is why he incurred a breakage charge.

Mr L asked why Family would ask for the product number when transferring the ISA to the third party if it was irrelevant. But I’m not persuaded that they did ask for this and I’ll explain why. Mr L instructed the third party to transfer his ISA from Family and he gave them the information. Mr L told our investigator that he had given them the product code. Also, on the secured message which Family sent Mr L to inform him that his one year product which was ISA wrapped was maturing, it specifically says “*your new provider will need your Online ISA number, which begins with an ‘A’ and can be found at the top of this message. They will use this as a roll/reference number, as your Online ISA does not have an account number or sort code. Product/plan numbers should not be used to request transfers, as this can cause delays.*” So I’m satisfied Family didn’t ask Mr L or the third party for his product number when they informed Mr L not to use a product number.

In summary, Mr L’s response hasn’t changed my view and my final decision and reasoning remains the same as in my provisional decision. I know Mr L will be disappointed, but I hope he understands my reasons.

My final decision

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 21 September 2022.

Gregory Sloanes
Ombudsman