

The complaint

Mr B complains about National Savings and Investments (NS&I) in relation to a payment made into his premium bonds account in error.

What happened

In 2017, NS&I paid £38,000 into Mr B's premium bonds account. Due to an administrative error, the sum had been paid to Mr B instead of another of NS&I's customers. When that customer died, NS&I became aware of the mistake and contacted Mr B in 2021 to recover the money.

Mr B said he'd withdrawn the money from his account in 2017 to put towards buying a family home. He said he genuinely believed the money to be his, had acted in reliance on NS&I's mistake, and that he now owed it nothing.

NS&I continued to pursue the money and blocked access to Mr B's account which contained just over £20,000, saying it would offset what it felt he owed by that amount. Unless, that is, it received a partial payment or reached agreement with him to set up a monthly payment plan. In recognition of its initial error and by way of an apology, NS&I paid Mr B £200.

Unhappy with his treatment by NS&I, Mr B complained to us. Our investigator looked into the complaint and recommended that it be upheld in part. They didn't think NS&I had acted unfairly by seeking to recover the amount but did consider that £200 didn't reflect the impact of its initial error on Mr B. So, he asked NS&I to pay him an additional £550.

Both parties disagreed with the investigator's assessment. NS&I considered the recommended amount of compensation was too high when compared with other similar cases against NS&I we'd seen. It felt Mr B ought to have been aware that the money wasn't paid to him as a premium bonds prize.

In summary, Mr B said the events led him to believe he'd won a prize. Consequently, he said he acted to his detriment in buying a more expensive home than he'd otherwise have done in 2018 and with a bigger mortgage. He said the block placed on his account which prevented him from accessing money accrued through redundancy and as life savings left him with no financial buffer following his decision to become self-employed and obtain a business loan. Mr B added that he'd incurred around £6,000 in legal fees in disputing NS&I's decision for which he should be reimbursed.

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.

Although a number of issues have been raised, all of which I've considered carefully, this decision addresses only those issues I consider to be materially relevant to the crux of Mr B's complaint.

It's not in dispute that NS&I paid the sum in question to Mr B in error. I can't see that he won the money as a prize – NS&I doesn't award prizes of £38,000 – or that the money shouldn't have been paid to its other customer. As compensation for its error, NS&I's apologised to Mr B and paid him £200. But it believes the incorrect payment isn't his to keep and that he should at least enter into an agreement with it to pay it back.

The above issues led to Mr B cashing in all the money, plus some of what was already in his account, a few months after it was transferred to him. I realise the disappointment this would have caused him when he discovered the truth, especially as he says he thought the money was his. That said, the money belonged to another customer and Mr B wasn't entitled to it. So, I don't think NS&I's treated him unfairly by asking him to repay the money. Nor do I think it's treated him unfairly by blocking access to his other funds to recover the money, given Mr B's response. As a result, I'm not persuaded that NS&I must reimburse Mr B for his legal costs in disputing the matter. Especially as NS&I had already told Mr B about his right to complain to our service for free before it seems most, if not all, of those legal costs were incurred.

While I think NS&I was entitled to recover the funds, I think it could have handled matters better than it did and provided Mr B with better customer service. For example, when NS&I first tried to contact Mr B in June 2021, it simply asked him to repay the amount in full. It again asked for the amount in full in its letter of August 2021 and twice more in October 2021. It wasn't until later that NS&I explained it was willing to accept a partial payment, initially at least, or an agreement to set up a monthly payment plan.

Bearing in mind it had been around four years since its error and since Mr B cashed in the bonds, I believe NS&I's approach was unsympathetic to say the least. I don't think it was reasonable for it to demand full payment as it did on several occasions. No doubt Mr B was surprised to hear of the mistake, and I'm satisfied the communications from NS&I were extremely upsetting for him to have to deal with given the sum involved.

I note that NS&I feels its offer of £200 is in line with our approach to compensation for non-financial loss and with the outcomes we've reached in similar cases against NS&I in the past. I can't comment in any detail on the cases it's referred to and I'm not fully aware of their circumstances. I'm required to decide Mr B's complaint based on what's fair and reasonable in all the circumstances of this case. Having done that, I believe a further £550 (in addition to NS&I's previous payment) is a fair reflection of the distress and inconvenience Mr B's been caused by the error and NS&I's subsequent handling of it.

I realise that Mr B would like NS&I to pay more but I consider that £750 is nevertheless a significant award and fairly reflects the distress, upset and worry he's been caused.

I've thought very carefully about what Mr B says regarding the consequences of NS&I's payment error. These include that he bought a more expensive house with a bigger mortgage, that he became self-employed and that he took out a business loan. All because of NS&I's mistake in 2017. I realise it's possible that these events were caused by NS&I's actions but, on balance, I haven't seen enough evidence to show that they were connected. A range of factors could have influenced these events – some of which occurred years after NS&I's error. I don't think it would be fair for me, based on the available evidence, to hold NS&I responsible for those events.

I'd also add that not all these events have been shown to have resulted in financial loss to Mr B. For example, although a more expensive house might have meant a bigger mortgage, it follows that the house might be worth more to Mr B as an asset than another house he might otherwise have bought.

Taking everything into account, although I consider that NS&I needs to do more to put things right for Mr B, I can't reasonably ask it to cover the losses he's claimed for.

Putting things right

NS&I should pay Mr B £550, in addition to the £200 I believe it's already paid him, as compensation for the impact of its errors and handling of the matter.

My final decision

For the reasons given, and while I recognise this will come as a disappointment to Mr B given his strength of feeling on the matter, I've decided to uphold the complaint but only in part. I require National Savings and Investments to put things right for Mr B as explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 February 2023.

Nimish Patel
Ombudsman