

The complaint

Mrs B has complained about problems she experienced with National Savings and Investments ('NS&I') when she tried to withdraw from some of her investments.

What happened

In October 2020 Mrs B called NS&I as she wanted to make withdrawals from her accounts – the Income Bond account and the Direct Saver account. During the call Mrs B failed some of the security questions to allow for the withdrawals and was to be sent an application for a new temporary password. After Mrs B experienced further issues, she complained to NS&I on 19 October.

Two payments were made later in November – £83,000 for the Direct Saver account and £120,049.15 for Income Bond account.

In its response to Mrs B's complaint NS&I said:

- When Mrs B called NS&I on 16 October she successfully answered its security questions to change her nominated bank account details. She then went onto to try to withdraw from her account which prompted two further security questions. These were incorrectly answered five times. As a result, a temporary password was to be ordered for Mrs B to reset the security on her account and regain access.
- NS&I explained that after Mrs B initially set up the security questions on her account NS&I had no access to it so it couldn't know why Mrs B failed to access her account on 16 October.
- When Mrs B called again the temporary password that had been ordered for her had been mistakenly suspended. NS&I apologised for this and to put the matter right, arranged for £50 to be sent to her bank account.
- Mrs B had since reset the security for her account and after NS&I received a withdrawal form from her on 12 November, a payment was sent her to nominated account on 16 November for her Direct Saver account and a full closure payment on 17 November for her Income Bond account.

Mrs B wasn't happy with the outcome to her complaint and brought it this service.

Our investigator who looked into the complaint wrote to Mrs B. She briefly outlined what had happened and passed on NS&I's offer that it had made in its submission to this service in order to resolve Mrs B's complaint.

In the submission NS&I said the temporary password ordered on 16 October was incorrectly suspended on 22 October. Mrs B said she rang on 26 October to activate the temporary password which she discovered she couldn't do. It said that if Mrs B had been able to activate the temporary password and request both withdrawals, she would have received the funds on 28 October. In recognition of this NS&I offered;

- For loss of interest on the Direct Saver account from 28 October to 16 November on

£83,000 at 7.00% (8.00% minus Direct Saver rate at the time of 1.00%) it offered £318.36.

- For the loss of interest on the Income Bond account from 28 October to 17 November on £120,000 at 6.85% (8.00% minus Income Bond rate at the time of 1.15%) it offered £472.93.
- It also offered an apology and a further £100 goodwill payment for the inconvenience caused.

Mrs B had had a significant change in her health and hadn't been able to review NS&I's offer so in light of this the investigator considered the complaint more fully and whether NS&I's offer was fair. After further correspondence with the parties the investigator wrote again in more detail to Mrs B with her opinion of the complaint. She said;

- when Mrs B had called NS&I on 16 October she had passed security to change her nominated bank account details as she wanted to make a withdrawal from her Income Bond account. To make that withdrawal Mrs B had to answer two further security questions which Mrs B failed on five occasions and her account was suspended.
- The investigator explained that when Mrs B had set up her account online in 2015 she had given NS&I her own password and answers to security questions. These were then encrypted by NS&I so they couldn't be seen by anyone. As a result, NS&I couldn't say why the answers Mrs B had given to the security questions on 16 October weren't accepted.
- After this, a temporary password was ordered but was accidentally cancelled by NS&I for which it had apologised and paid £50 into Mrs B's bank account. After Mrs B had reset the security on her account and NS&I had received a withdrawal form on 12 November the money was paid out from her Direct Saver and Income Bond accounts on 16 and 17 November.
- As the call recording from 16 October wasn't available any longer the investigator considered whether it was likely that Mrs B didn't pass the security questions. And she concluded that the answers Mrs B had given were not exactly the same as were recorded on NS&I's recorded.

She gave the example of an answer being 'Christmas' rather than 'Xmas' which wouldn't match even though a factually correct answer. She concluded that NS&I would likely have taken care in recording Mrs B's responses knowing they would be encrypted and that it was reasonable to assume that Mrs B may have forgotten the exact format during the five years since she had set them up. She couldn't hold NS&I responsible for Mrs B not being able to make a withdrawal on 16 October as the security questions weren't passed.

- NS&I acknowledged the cancellation of the temporary password Mrs B was sent was done in error. Mrs B had called NS&I on 26 October and found that the password wasn't valid. NS&I said that as Mrs B would have made the withdrawals from her Income Bonds and Direct Saver accounts on that date she should have received the funds on 28 October.
- The investigator checked NS&I's historic interest rates for both types of account, and these remained the same from 1 October 2018 to 24 November 2020 – 1.15% on the Income Bond account and 1% on the Direct Saver account. The investigator was satisfied that as Mrs B received her funds before 24 November 2020 the rates she received weren't impacted by the reduction when the funds were withdrawn on what

should have been 28 October.

- This service would normally recommend that interest be paid at a rate of 8% for the time a consumer had been out of pocket. In this case Mrs B had already received 1.15% and 1% on the Income Bonds and Direct Saver accounts for any time after 28 October – when she should have received her funds – to the dates she actually received her funds. So, the investigator thought it was fair for NS&I to give Mrs B the difference in interest she received on the funds in her accounts up to 8% for the period she was out of the money.
- Mrs B had said her creditworthiness had been questioned. The investigator couldn't find anything to show this except for an identity check with a credit reference agency when trying to reset Mrs B's password over the phone. The investigator thought NS&I was trying to help Mrs B by doing this, and while she accepted the mention of a credit check could be worrying, this should not have any impact on Mrs B's creditworthiness or credit score.
- Mrs B said during the call she had with NS&I on 16 October she was told that she had been speaking with it for an hour and her account was logged off and couldn't be accessed again. The investigator said this must have been frustrating for Mrs B if this was the case but hadn't seen anything to show this.
- The investigator thought the total of £150, the £50 already paid to Mrs B's account and the further £100 NS&I offered, was fair.

Mrs B responded by saying the distress had been caused solely by NS&I. And she wanted to hear the call recording of 16 October which she considered was evidence for NS&I as well as herself. She said NS&I were prevaricating.

Mrs B said the crux of her complaint was about the non-acceptance of the responses she gave to the security questions. Mrs B disputed they were incorrect, and NS&I weren't able to show the answers it had recorded so couldn't provide any evidence that supported its case.

Mrs B said she felt her integrity was being challenged. If she was involved in something fraudulent that should have been checked when she opened her account and not just when she wanted to withdraw funds. And any money would be sent to her bank account where she had banked for decades. She was the person entitled to give instruction on her account and NS&I wasn't being placed in breach of the law.

Mrs B remained unhappy with the outcome as she felt the stress of what happened directly resulted in her medical issues and her being hospitalised. Because of this she didn't think the offer made by NS&I was high enough even though she didn't have a figure in mind.

A second of our investigators reviewed the case and didn't think anything Mrs B had said changed her view of the complaint. She reiterated that answers to security questions had to be exactly as set up by Mrs B and encrypted by NS&I. NS&I didn't have any discretion in the answers Mrs B had given. There wasn't any evidence of a mistake by NS&I with the security questions so she wouldn't be asking it to make a payment as an apology.

But the investigator did reconsider what the payment it had offered was for. She clarified that NS&I accepted the delay in the transfer of funds (received by Mrs B on 16 and 17 November rather than around 28 October) because the temporary password it had sent had been cancelled in error. Because of that it had made the offer to make up the interest Mrs B missed out on which the investigator thought was fair and in-line with what the Financial Ombudsman would recommend.

The investigator hadn't seen any evidence to show that the delay alone directly caused or exacerbated Mrs B's medical condition, so she thought the amount offered was broadly fair.

NS&I was able to provide a recording of the call of 16 October, but Mrs B didn't have the facility to listen to it, so NS&I arranged for a transcript to be sent to her. Mrs B had concerns that some words were missing from the transcript as her notes about the call suggested it had been edited. The investigator said there was no reason for her to think that was the case and the investigator would need to be given more information or evidence about that in order to change her mind.

As the complaint could not be resolved, it has been passed to me for a 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.

I should first say that I am sorry to hear about Mrs B's deterioration in her health. And I'd like to thank her for her efforts in bringing her complaint which I am sure must have been trying and difficult for her at times, particularly more recently.

The security questions

Mrs B has said she considers the crux of her complaint to be about the responses she gave to the security questions she answered on 16 October 2020.

I've listened to that call and while I don't know the exact answers to Mrs B's security questions as set up by Mrs B and subsequently encrypted by NS&I, that call has given me insight into what went wrong when Mrs B's answered those questions. All the questions revolved around five set questions – and responses – such as the name of Mrs B's first pet, her first school etc.

Of the first set of three questions Mrs B failed the first two attempts but passed on the third. And for the second batch, Mrs B failed all five sets of questions and her account was locked as a result. I note that Mrs B does say during the call that she was unsure how she would have answered the questions when she set them up years earlier.

As one example of how the answers didn't match what was held by NS&I, in response to the name of her first boss, Mrs B answered in two different ways over the course of the security questions. In response to the first time she was asked she used his title and surname only and for another she used his title, first name and surname. So, while the answers were no doubt factually correct, the format given by Mrs B didn't match the encrypted answers held by NS&I.

NS&I has explained to us that once a password or security answer had been entered onto its systems, they become encrypted so that no-one can decipher that information. Therefore, it was unable to see why the failures occurred on Mrs B's account. The only thing that was known for sure was that Mrs B failed to pass all of the relevant security questions. NS&I says there wasn't a fault on its system.

Mrs B said she feels as though this was the crux of her complaint, and that being the case, I can't agree with her recollection that she answered the questions correctly as evidenced by the answers Mrs B gave that I have referred to above. It's clear that the responses Mrs B gave to the questions varied – albeit the answer being factually correct – but not in the format as set up by Mrs B at the outset and as recorded with NS&I.

I would expect NS&I to have rigorous security in place for all transactions and particularly for a 'high value payment' as in Mrs B's case. While I appreciate that Mrs B was frustrated by the process, I can't find that NS&I didn't act correctly by suspending the account when Mrs B failed those security questions.

The temporary password

When Mrs B failed the security questions her account was locked, and Mrs B was to be sent a new temporary password that would be with her between three and five days later. This was sent to Mrs B on 19 October and Mrs B said that when she called NS&I on 26 October, she discovered the temporary password wasn't valid. If the password had been valid, and like NS&I, I think it most likely Mrs B would have gone ahead with the withdrawals from her account and received the funds around 28 October.

This was frustrating for Mrs B as she couldn't go ahead with the withdrawals from her accounts. NS&I has recognised this and already paid Mrs B £50 for the upset caused. I don't make any further finding on this as NS&I has agreed it was at fault, apologised and made a further offer of payment in recognition of this which I think is fair.

Putting things right

The current offer, and is it fair?

As explained by the investigator, when we find that a consumer has been out of pocket, we recommend that interest be paid on the outstanding sum at a rate of 8% for the time the consumer hasn't had use of the money.

In this case Mrs B did receive the withdrawal proceeds, albeit later than she should have done. And upon payment of the proceeds the funds included the interest that had been paid on the account, 1.15% for the Income Bond account and 1% for the Direct Saver account (the interest on the Income Bond account was paid into the Direct Saver account). So to be in line with what the Financial Ombudsman Service would usually award, I would expect NS&I to make up the difference between the interest rates that the withdrawal amounts had already attracted, compared to the 8% I would expect to see for the time Mrs B was out of pocket.

When making its offer, NS&I has already taken this loss of interest into account. So, 8% less 1.15% for the Income Bond account and 8% less 1% for the Direct Saver account. I think this offer is fair and reasonable.

NS&I has already credited Mrs B's bank account with £50 for the inconvenience caused by the incorrect cancellation of the temporary password. It has subsequently offered an additional £100 because of this. And on the face of it I think that's a fair award as a reflection of the upset Mrs B was caused.

Mrs B has said any award should be higher as she says the stress she was caused had a direct impact on her poor health and caused her to be hospitalised. I'm very sorry to hear about Mrs B's poor health but I can't find a link between NS&I's failings – which I have only found to be the cancellation of the temporary password in error – and her worsening health.

So, while no doubt the whole episode has been upsetting for Mrs B, I don't find that NS&I was at fault when suspending Mrs B's account when she didn't answer the security questions correctly. And I don't have anything to suggest that NS&I's error in cancelling the temporary password on 19 October 2020 was the cause of her health to fail in mid-2021.

It follows that I don't uphold Mrs B's complaint any further than NS&I has already offered to put right. I appreciate that this is not the outcome Mrs B was looking for, but I hope I have been able to explain how and why I've reached the conclusion that I have. It is now for Mrs B to decide whether to accept or reject the offer made by NS&I.

My final decision

I uphold Mrs B's complaint. National Savings and Investments should put the matter right and pay redress to Mrs B as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 7 October 2022.

Catherine Langley
Ombudsman