

## The complaint

Mr H complains about Coventry Building Society, referred to as “the business” or “Coventry”.

In summary, he says that his ISA account, upon maturity, was (erroneously) transferred to an easy access non-ISA account – rather than an existing Coventry easy access ISA account – based on an incorrect account number that he wrote down supplied by the business.

He doesn't think the business' offer to pay him compensation – as a gesture of goodwill – is reasonable, as it's not comparable to the actual tax loss suffered. To put things right, he would like the business to compensate him for his losses.

In other words, Mr H would like the business to reinstate the ISA status of his savings by transferring the funds to a new ISA (without utilising his 2020-2021 ISA allowance). If reinstatement isn't possible, he would like the business to pay compensation for the financial loss caused by the future tax liability on these savings. He's a higher rate taxpayer and anticipates using his full ISA allowance each year until retirement as he has done so in all the past years.

## What happened

Mr H's fixed term ISA was due to mature on 31 May 2020. He was sent an instruction form (“the form”) to fill out and return in advance. He ticked the box within the section that indicated that the funds in question should be transferred to an ‘*existing Coventry Building Society ISA(s) below*’.

Mr H then entered an account number which he thought was for an easy access ISA account, but it wasn't. He says he was previously given this number at a branch after he made enquiries about an easy access ISA account, but the business says there's no record of this.

The business says that it transferred the funds to a non-ISA account as per Mr H's instructions. However, as a gesture of goodwill, it offered Mr H £1,520.37 compensation. There is some internal discussion in which the business suggests that perhaps it should've double checked the account number as it would've come up as a non-ISA account on the system. It doesn't however think it's responsible for the losses claimed.

Mr H is unhappy with the business' response and offer and referred the complaint to our service. He doesn't think the offer is comparable to the actual tax loss.

One of our investigators considered the complaint but didn't think it should be upheld. In summary, she said:

- Other than what Mr H says, there's no record that he was supplied with the incorrect account number, so she's not in a position to comment on this point further.
- Mr H's reference to emails he obtained via a subject access request (SAR), according to him, suggests that the business concedes/accepts that the form

should've been reviewed as earlier versions of the form didn't have a tick box, so staff just transferred the funds to the account number.

- The business followed Mr H's withdrawal instructions, as per the box ticked (and account number supplied) on the form. It didn't enquire any further but could've done.
- The business said that his initial investment superseded the maximum investment allowed to be deposited in an ISA, so it could've reasonably assumed that Mr H understood what he was doing.
- Ultimately, the business had a process in place, and it followed that process correctly. Mr H provided the incorrect account number, it wasn't the business's responsibility to query this further.
- The business said that its current process is to conduct quality checks on a number of forms.
- The offer made by the business is broadly fair and reasonable.
- Our guideline for compensation of interest not applied to a cash ISA is that it should be calculated over five years, however, the business has covered 10 years.
- Notwithstanding our approach – which is usually to tell a business to put the customer back in the position they'd have been in if things hadn't gone wrong – there is additional ISA specific guidance.
- Mr H states that it would be fair to calculate losses on the additional Capital Gains Tax (CGT) liability arising from investing the funds in a stocks and shares ISA rather than a non-stocks and shares ISA – but the business has refused to change its position.
- In this instance the business carried out its process correctly and carried out the instructions provided by Mr H. But it wasn't acknowledged that he provided the wrong account number, so to compensate him for that, the business has offered to pay twice as much as what we would normally recommend.
- Our service doesn't have punitive powers, and notwithstanding what Mr H says about his future plans to invest, the offer by the business is broadly fair and reasonable.

Mr H disagreed with the investigator's view and asked for an ombudsman's decision. There's lengthy correspondence between Mr H and the investigator. He also, during the course of this correspondence, provided a number of attachments and, in short, made the following key points:

- He hasn't been provided with any evidence of his visit to the business. But it isn't correct that there isn't any information on this issue.
- There's a recording of the call on 20 November 2020, between Mr H and an agent, when the error was first discovered. He was given the incorrect account number, not as the business says that it was his mistake.
- He doesn't accept that the business completed the transfer based on his withdrawal instructions, as per the box ticked. He didn't tick the box that he wanted to transfer to a non-ISA account. He also entered the account number in the section for the ISA account, and left blank the section needed to transfer to a non-ISA account.
- In other words, he ticked the box instructing the business to transfer to his ISA account, not the non-ISA account.
- In the internal mail dated 17 February 2021, a customer relations manager said: *"what's the point in having these sections on the form if we don't take notice of them"*.
- Not only was the wrong account number used as a result of the wrong information provided by the business, but there was a discrepancy between the box ticked, the section of the form and the account number given. The business noted that the discrepancy would've been flagged up on the computer to the member of staff who handled the form, but they negligently ignored it or failed to notice it.
- The business should've checked with Mr H by email or phone before processing the form and transferring the funds.

- Despite what the investigator says, the business accepts that its process wasn't followed.
  - In an email dated 17 February 2021, the business (customer relations) states:
    - *"From reviewing this case with (name anonymised) and other Managers within the area, we believe that we have made errors. We've failed to carry out the customers instructions with due diligence and failed to contact the member to ask for clarity".*
  - In an email dated 22 February 2021, the business (savings operations technical manager) states:
    - *"I absolutely agree that our service standards have not been met in this scenario and we should be looking to rectify that with the customer, compensating them as deemed necessary".*
  - Email dated 3 March 2021 the business states:
    - *"We have failed you" and "should compensate you for tax loss".*
- The crux of the complaint is whether or not the redress is suitable, and he'd ask our service to consider whether HMRC could be given the opportunity to consider this.
- The guidance referred to says that the loss should be based on the actual expected loss. The five years was recommended as a reasonable assumption about how long a customer might have kept the cash ISA before using the cash to meet expenses in the absence of other evidence about individual financial circumstances. The guidance doesn't say that five years should be applied in all circumstances regardless of evidence that suggest that the funds wouldn't have been needed at five years.
- He doesn't accept the investigator's suggestion that he might be to blame for the business's error. There's no evidence that this is the case.
- When the business wrote to Mr H to confirm his instructions it made no suggestion that it had transferred his funds to a non-ISA account.
- The investigator suggests that the funds would've transferred into a cash ISA, but her findings don't explain why she overlooked what would've happened to the funds subsequently – including evidence that the funds were transferred to a stocks and shares ISA, and evidence that it was always the plan.
  - Regarding the two sides of the maturity instruction form, the boxes on the side that offered a fixed term ISA were left blank as his intention was to transfer the funds to a stocks and shares ISA which required the funds to be moved to an instant access cash ISA.
- Even if it hadn't been the case, the investigator still overlooked the interest that would've been claimed.
- The Bank of England base rate has increased significantly since the error, as a result the base rate used is now known to be inaccurate.
- The interest used to calculate compensation was 0.55%, from October 2022 the rate will increase to 1.85%, which is substantially higher than the rate used by the business.
- An extract from his Investing Ethically investment report shows that Mr H contacted the business looking to explore investment planning options.
- He'd built up £800,000 and was keen to invest £500,000 for longer term growth. For the new investments he was keen to engage with a financial adviser specialising in ethical investments. He'd used his ISA allowance for the current year but wanted to use future tax years to maximise tax efficiency. The adviser said that they'd move his investments across into ISAs every year, to help reduce tax for him.

The investigator having considered Mr H's additional points wasn't persuaded to change her mind. In summary, she said:

- Mr H provided details for a non-ISA account to which the funds were transferred.

- During this particular maturity period the business had 125,000 accounts maturing at the same time. Although Mr H feels the business should've queried the details, he provided a valid account number for the only account he had with the business, so the funds were transferred to it. In the circumstances, the business' actions were reasonable.
- When Mr H opened the easy access account in December 2019, he received a copy of the terms and conditions which he agreed to before proceeding.
- He opened the account with £46,000 and opened one of the ISA products available at the time. But due to the maximum ISA limits, he wouldn't have been able to put the full amount into the ISA.
- Mr H was sent a welcome pack, specific to the non-ISA account. This suggests that this was the only account he had with the business.
- Mr H signed the maturity instruction form on 18 May 2020, which the business received on 28 May 2020, and it processed the application the following day. Following this it sent Mr H a letter asking him to notify it immediately of any changes. Mr H didn't query this but only got in touch several months later, on 20 November 2020.
- The crux of the complaint is whether the redress is fair and reasonable, and she believes it is.
- The business is unable to find any evidence that Mr H visited the branch between December 2019 and May 2020. The store was also shut between 26 March and 17 June 2020 due to the Covid-19 pandemic.
- His account was only accessed on 5 December 2019, by the processing team who issued the application pack. The next time the account was accessed was on 28 May 2020 when his instructions were processed.
- The three options for the ISA maturity instructions were all cash ISA options. There's no evidence of Mr H's intention to invest in a stocks and shares ISA.
- In other words, he was sent the pre-maturity instructions outlining his options, including what to do if he wanted to re-invest in another ISA. He filled out the form asking the business to transfer to a non-ISA account.
- The business offered redress that's double what this service would.
- In the circumstances, she doesn't think the business needs to contact HMRC.
- She's seen nothing to persuade her she should change her view.

As no agreement has been reached the matter has been passed to me for review.

### **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.

Having done so, I agree with the investigator's conclusion for much the same reasons. I'm going to uphold this complaint.

On the face of the evidence, and on balance, despite what Mr H says, in this instance I don't think the business behaved unreasonably as such by transferring the funds to a non-ISA account as per the account details supplied by him on the form. However, I think the business missed an opportunity to gain clarity on Mr H's instructions such that its service standards probably weren't met.

In the circumstances, and on balance, I think the (goodwill) offer made by the business is broadly fair and reasonable.

Before I explain why this is the case, I think it's important for me to note I recognise Mr H's strength of feeling about this matter. He's provided detailed submissions to support the complaint, which I've read and considered carefully. However, I hope he won't take the fact my findings focus on what I consider to be the central issues, and not in as much detail, as a discourtesy.

The purpose of my decision isn't to address/answer every single point/question raised. My role is to consider the evidence presented by him, and the business, and reach what I think is an independent, fair, and reasonable decision based on the facts of the case.

In deciding what's fair and reasonable, I must take into account the relevant law, regulation, and best industry practice. But it's for me to decide, based on the information I've been given, what's more likely than not to have happened.

I note that the business provided Mr H with the form inviting him to provide instructions about what to do with his maturing fixed rate ISA in the sum of £63,645. I note on the form Mr H ticked the box next to the instructions to close his account and transfer all funds "to existing Coventry Building Society ISA(s) below". Underneath the box, in the same section he entered the account number, which at the time he believed belonged to the ISA account, but it didn't.

I note Mr H says that this belief appears to have arisen from a confusion between an easy access ISA account he previously held and his Coventry easy access (non-ISA) account. But he made clear that he didn't tick or fill out the section next to the instructions to transfer to the non-ISA account which I accept.

Having received the form, I note the business transferred the maturing funds from the ISA to a non-ISA account. In other words, in response to receiving the form, in my opinion the business did what it was asked to do – namely transfer the maturing funds to the account supplied by Mr H – I can't necessarily fault the business for doing this, and following instructions, despite what his true intentions might have been. This is principally what is at the heart of this complaint.

Despite what Mr H says, this probably doesn't represent a breach of agreement either – between him and the business – on the contrary, the business did what it was asked to do by him in terms of transferring the funds to a specified account number, as I believe it was obliged to at the time. On balance, I also don't accept that the business transferred the funds to the 'incorrect' account number. I appreciate Mr H doesn't agree with this, but I don't think the business's current objections on this point are unreasonable. I don't accept this was the same as "*Please transfer the funds to the Queen of the United Kingdom, Joe Biden*", as suggested by Mr H in his correspondence with the business.

I note the form had sections – which I will come back to below – one for transferring funds to the Coventry ISA account and one for transferring to a Coventry non-ISA account. But Mr H filled out the ISA account section but supplied a non-ISA account number which is behind this complaint – I don't think I can blame the business for this.

I'm aware the form has separate sections for different instructions – one of these sections is for transferring funds to a Coventry ISA account, another for transferring funds to a Coventry non-ISA account. I note each section also contains a tick box, indicative of the investor's intentions. But importantly, each section also provides a section for the account number for the fund receiving account. Putting aside for a moment, the ISA and non-ISA account status, if a customer ticks a certain box, this might show their intention, but if the customer then enters an 'incorrect' account number – the funds are likely to be transferred to the specified account. In my opinion, and notwithstanding the basis of my uphold, responsibility to ensure

the correct account number is entered lies with the customer and isn't something I can blame the business for.

I appreciate Mr H didn't deliberately insert the incorrect account number, but nevertheless he did so inadvertently and without any assistance or guidance from the business at the time. So, I can't say the business did anything wrong in this regard. Despite what Mr H says, I also can't safely say that the form wasn't clear or fair and was misleading in breach of FCA principle 7 and COBs 4.2. If Mr H had any objections about how the form was laid out or wanted to double check his own instructions (and account number) he could've done so at the time.

I appreciate what Mr H says about how he came to be in possession of the account number in question. But despite what he says, on balance, I can't safely say that this was the case. In other words, I can't safely say that the business gave him the account number on the basis that it was the correct number for an ISA account as opposed to a non-ISA account. It's possible that I could be wrong about this, and it's exactly how he came to be in possession of the account number, but on the face of the evidence, and on balance, despite what he says, I can't safely say that this was (more likely than not) the case.

But despite what Mr H says, on balance I don't think the business was routinely obliged to go behind a customer's instructions in order to double check or confirm the account details. I don't accept Mr H's argument that in the circumstances the business was under an obligation to email him or call him before processing what is otherwise a standard application and routine fund transfer.

I'm conscious that the business could've, but in this instance and on balance, I don't think it was required to and realistically (probably) couldn't do for every customer – so I can't blame the business for not doing so in this case. In my opinion, and on balance, there wasn't anything on the face of the document that meant the business knew, or ought reasonably to have known, that the instructions weren't in line with Mr H's true intentions when processing the form. And given how many of these requests were likely to have been processed at or around the same time as Mr H's request – I note the investigator says around 125,000 investments matured around this time – I've seen nothing to suggest that the business was even aware that there was an issue/discrepancy that Mr H refers to.

On balance, it seems the business probably missed the 'product type' when processing the form and therefore missed an opportunity to check the account details with Mr H. But I can't say that the business is to blame such that it should be liable to pay the losses claimed by Mr H.

It seems that this was the only other account Mr H had with the business and that the names were near identical, so it (probably) did not ring any alarm bells. On balance, it also doesn't necessarily mean that the business didn't read the instructions properly or didn't transfer to the specified account. Any suggestion that the business would, of its own volition, transfer to an account number Mr H didn't provide is untenable.

I also note the business said that Mr H's initial investment superseded the maximum investment allowed to be deposited in an ISA, so it could've reasonably assumed that Mr H knew exactly what he was doing. It could also be argued that the instructions to the ISA account couldn't have been processed in any event. I note the business said:

*"We can also take the view that you understood these T&C's because of your initial investment. This equalled £46,000 and supersedes the maximum investment allowed to be deposited in an ISA."*

I appreciate Mr H will disagree with my conclusion, but in the circumstances and on balance, for the reasons set out above – considering all of the evidence and not just some of the internal correspondence, I don't think my conclusion is unreasonable.

I appreciate Mr H has repeatedly said that he kept 'blank' the section of the form allocated to transfer to a non-ISA account. But the business isn't obliged to act on the basis of what's been left blank, rather its obliged to transfer the funds to the account number provided and that's what it has done.

Notwithstanding the business' internal comments and discussions – and my decision to uphold this complaint – I can't safely say that compensation should be paid on the basis claimed by Mr H.

I'm conscious that the business accepts it missed an opportunity to gain clarity on Mr H's instructions, and that its service standards haven't been met, and feedback has been provided to the relevant area.

Based on internal documents it seems the business could've double checked the instructions/account number, so it's possible that it's in breach of FCA principle 2 "*due skill, care and diligence*" I note the business accepts that it lacked due diligence. Even if it is, it's still not a reason to uphold this complaint on the basis claimed by Mr H.

I'm aware, Mr H says that the business only changed its position once it learnt of the extent of his tax losses – but I'm not persuaded that it has. Notwithstanding its internal communication and discussion, in which it's entitled to freely discuss the issue and consider different viewpoints within the business, it hasn't agreed just to uphold this complaint on the basis claimed by Mr H.

On balance, I'm persuaded that the business decided the case on a somewhat limited and discrete basis, and consequently thereafter offered a (goodwill) payment. I note the business says that it offered compensation on the basis that Mr H had made a genuine error when completing the tax form, which I don't think is unreasonable but in my opinion, it also includes the business missing an opportunity to gain clarity.

I'm aware that Mr H thinks this goes nowhere near to paying for the tax losses – and has his own ideas about how the business should calculate this amount – but he should be aware that this payment isn't for financial loss, rather it's a voluntary goodwill payment, notwithstanding Mr H's oversight, and the business's oversight.

I note Mr H's argument about the interest rate – which he says is a historic low in interest rates and not reflective of the actual interest rate – used to calculate the redress, but I don't think it's unreasonable in this instance. And neither is the business refusing to accept Mr H's position regarding his future instructions about what he should do with the money. I don't think the either claim is engaged on the basis of the uphold.

I appreciate Mr H will be very unhappy that I've reached the same conclusion as the investigator, but I still haven't given him what he wants. But on the face of the available evidence, and on balance, despite what he says, I'm unable to uphold this complaint *and* give him what he wants.

### **Putting things right**

Coventry Building Society should pay Mr H the £1,520.37 offered unless it has done so already.

**My final decision**

For the reasons set out above, I uphold this complaint.

Coventry Building Society should pay Mr H compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 22 December 2022.

Dara Islam  
**Ombudsman**