DRN-3853528

The complaint

Mr J says National Savings and Investments (NS&I) was responsible for a delay in following his instructions about his maturing Guaranteed Income Bond (GIB). He says this caused him a loss of investment return.

What happened

The chronology of events is broadly agreed between the parties. So too is the fact that NS&I was responsible for some delay in Mr J having access to his funds. In summary:

- 30 October 2020 NS&I sent Mr J a letter informing him that his GIB was due to mature on 5 December 2020. The value on maturity would be about £376,000. It set out his options. It also said if it didn't hear from him by 3 December 2020 it would automatically start a new 5-year term GIB, paying a new interest rate of 0.51% gross annual equivalent rate.
- 13 November 2020 the trustees of Mr J's Self-invested Personal Pension (SIPP) sent switch instructions to NS&I by recorded postal service.
- 18 November 2020 the instructions were received and signed for by NS&I. But they weren't scanned into its electronic system. It concluded they had possibly been misplaced.
- 5 December 2020 Mr J's bond matured and was rolled over into another GIB for the same term.
- 9 December 2020 Mr J called NS&I unhappy that his instructions hadn't been carried out. He said this had left him financially embarrassed as he wanted to invest the funds elsewhere and therefore wanted compensation.
- 18 December 2020 letter from Trustees confirming its instructions were sent recorded delivery and hadn't been acted on. Mr J's funds had incorrectly been rolled into another GIB.
- 8 January 2021 process started to reinvest full amount of Mr J's GIB funds into a standard investment bond (IB).
- 15 January 2021 Mr J chased progress unhappy with length of time it was taking to complete the switch. He was advised it could take up to 10 days to complete and was assured the money would show in his IB by 22 January 2021.
- 19 January 2021 letter from Trustees stating they have yet to receive funds for Mr J's pension.
- 22 January 2021 Mr J chased progress again. NS&I explained it was working through a backlog and that his switch should be picked up within the next week. He told it he was looking to invest £85,000 of the money elsewhere and so needed these funds available.
- 29 January 2021 NS&I incorrectly switched Mr J's funds into another customer's account causing further delays. This error was identified and the reinvestment was cancelled on 12 February 2021.

- 16 February 2021 NS&I executed the reinvestment of £376,000 to Mr J's Income Bond. He was advised of such by phone the following day.
- 1 March 2021 NS&I receives cash-in form from Mr J for £85,000 from his IB. Payment was processed on 2 March 2021 and was received into his SIPP bank account on 5 March 2021.
- Between 6-12 April 2021 Mr J's first tranche of his former GIB funds were placed in a broad range of investments.

On 18 March 2021 NS&I responded to Mr J's complaint about what had happened. It upheld his case, recognised the things it had got wrong and apologised. It offered him £200 for the trouble and upset it had caused him. It also noted his intention had been to invest £85,000 of his funds and that the delay it had caused may've caused him an investment loss. So it invited him to provide evidence of the investments he would've made.

In his response of 23 March 2021 Mr J said he'd wanted to invest all the proceeds of his GIB into the UK stock market. Based on the performance of the FTSE All Share Index between 5 December and 16 February, he calculated his loss as about £16,500.

NS&I couldn't agree with Mr J's proposal. It noted he'd only withdrawn £85,000 from his former GIB funds, with the balance remaining in his IB. Ultimately it offered to pay him redress at 8% simple interest for lost investment opportunity on £85,000 for the 73 days delay it took responsibility for between 5 December 2020 and 16 February 2021.

Mr J didn't agree. His position is best summarised in the letter he sent to NS&I on 6 April 2021:

"The pension fund suffered a financial loss during the period from 5 December 2020 to 16 February 2021 whilst NS&I delayed access to the funds…During this period the FTSE All Share Index increased by 3.9%."

"Furthermore, during the period from 16 February 2021 (when the index was 3840.16) to the close of trading on 1 April 2021 (when the index was 3849.24) the FTSE All Share Index increased by a further 0.24% having fluctuated due to changing market conditions throughout the period (from 3702.40 on 26 February 2021 to 3879.81 on 16 March 2021 finishing at 3849.24 on 1 April 2021.)"

"Because of the volatility in the stock market during the period it was decided to keep the remaining funds deposited securely with NS&I pending re- investment when markets stabilised".

"Events arising from 5 December 2020 to 16 February 2021 gave rise to the financial loss of £16,449 because of the delay by NS&I in granting access to the funds which were not available to invest in a rising stock market. The subsequent withdrawal or lack of withdrawal of funds from NS&I has no bearing on this loss because the FTSE All Share Index has not fallen below the point at which it was on 16 February 2021."

Mr J brought his complaint to this Service. An Investigator considered the merits of his case and upheld it. He initially thought NS&I should pay him redress, based on the methodology it had proposed, but also incorporating the second withdrawal.

Mr J questioned why it wasn't fair for him to receive redress based on the investment opportunity loss on his full fund. The Investigator said he'd made withdrawals of his former funds for £85,000 in March 2021; April 2021; June 2021; July 2021 and the remainder in September 2021. Despite the delay in moving the funds, he still remained invested in the IB for around seven months.

The Investigator said if NS&I had correctly invested in the income bond in December 2020, it's likely Mr J would still have been invested to some extent in July 2021. And the funds were subject to growth while in the income bond. So, he didn't think it would be fair to require NS&I to provide redress in the way he'd calculated.

NS&I proposed an improved offer of redress based on the Investigator's view. It said:

"You have indicated Mr J wasn't looking to invest all these funds with the new provider all at once, however, it's likely he would have made the second investment of £85,000 within the 2 months (74 day) timeframe that was delayed. There was a 61 day (2 months) difference from receiving the first request of £85,000 to receiving the second £85,000 repay request."

"[We] would like to offer the difference between 61 -74 days (13 days) = £242.19 and add this to the loss of interest we calculated for the first £85,000. So, £242.19 + £1,360 = £1,602.19."

Mr J also proposed an alternative methodology for redress in his last substantive submission to this Service he said:

"NS&I delayed the redemption of the Guaranteed Income Bond of £375,923 from 5 December 2020 to 16 February 2021. I am seeking redress for this period only."

"If you do not believe that I have a valid claim for the investment gains forgone on £375,923 during the period from 5 December 2020 to 16 February 2021 then perhaps you can agree that my pension fund should be compensated for the loss of interest on £375,923 during the period from 5 December 2020 to 16 February 2021 at 2.5% which was the rate payable on the guaranteed income bond for the 5 years prior to redemption."

"This would amount to 2.5% @ £375,923 * 73/365 days = £1879.61 but say £2000 to settle the complaint, without further recourse to the Ombudsman."

As both parties couldn't agree with the Investigator's view, Mr J's complaint was passed to me to review afresh. I issued my provisional decision last month. As neither party submitted any new evidence or arguments I see no reason to depart from my initial findings and conclusions.

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.

Where there's conflicting information about what happened and gaps in what we know, my role is to weigh the evidence we do have and to decide, on the balance of probabilities, what's most likely to have happened.

I've not provided a detailed response to all the points raised in this case. That's deliberate; ours is an informal service for resolving disputes between financial businesses and their customers. While I've taken into account all submissions, I've concentrated my findings on what I think is relevant and at the heart of this complaint.

I'm upholding Mr J's complaint. I won't dwell any further on the rights and wrongs of this case as both parties are in agreement about most of the basic facts, including that NS&I got things wrong and should put matters right. The focus now is to achieve a fair settlement and closure.

I've thought about both of Mr J's proposed methods for calculating redress. I think there are problems with both.

Mr J’s first suggestion was that he should receive compensation based on movements in the FTSE All Share Index between 5 December 2020 and 16 February 2021. But he hasn’t done enough to show this was the right fit for his assessed risk appetite at the time. He hasn’t provided information about the overall fit of his GIB in the context of his other pensions and investment position. And he hasn’t provided evidence he had firm plans to invest all his GIB funds in one instruction, from 5 December 2020.

Rather, the information he did share showed something different. When his funds were available they sat for a number of weeks before any action was taken. When he invested his GIB funds he did so across a broad range of vehicles. He did so in chunks and over several months. I’m also mindful that compared with his GIB the FTSE All Shares Index would’ve represented a marked up-tick in exposure to risk. And he informed NS&I on one call from January 2021 that his intention was to invest a first tranche of £85,000, which is what he went on to do in April 2021.

Neither am I persuaded by his argument about why he held his funds in his IB account between 17 February 2021and 1 April 2021 because of market volatility. I’m wary about the unintentional effect here of hindsight. He was an experienced investor and will be aware of the mantra “it’s about time in the markets, not timing the markets”.

Mr J’s more recent proposal was for NS&I to base its redress on the number of days delay with interest at 2.5% gross AER, the equivalent rate he received from his GIB prior to maturing. Of course, his bond had matured and that rate was no longer available. So, the rationale for using this method isn’t strong.

In any event, it seems the separate final redress proposals from Mr J (for £1,880) and from NS&I (for £1,602) are not so far apart.

Putting things right

National Savings and Investments got things wrong and this had an impact on Mr J. So, he should be put back into the position he would’ve been in now, or as close to that as reasonably possible, had it not been for its failings.

Based on the information available, I’m satisfied that NS&I’s latest proposal of compensation for Mr J is fair. As was its proposal to pay him an additional £200 for the distress and inconvenience it had caused. If it hasn’t done so already, it should make arrangements for paying any compensation outstanding.

My final decision

For the reasons I’ve already set out, I’m upholding Mr J’s complaint. I now require National Savings and Investments to pay compensation to him as I’ve indicated.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr J to accept or reject my decision before 9 January 2023.

Kevin Williamson
Ombudsman