

## **The complaint**

Mr O complains about the way in which National Savings and Investments (NSI) has handled the administration of his premium bond account. He has been represented in this complaint by a family member, so references to his arguments and evidence include those made on his behalf.

## **What happened**

Until April 2020, when he turned 16, Mr O's premium bond account was run by his parents. The account had online access and, in line with Mr O's instructions, any prizes were added to his investment.

NSI has explained that, when an investor turns 16, they become responsible for the operation of their account, and the Responsible Parent access is removed. Any existing instructions about the operation of the account – for example, about the treatment of prizes – are also removed. NSI says that Mr O was sent a letter explaining this and setting out what Mr O had to do to ensure that he could operate the account.

In June 2020, Mr O won two £25 prizes. They were sent by cheque to a relative's address in the UK. This, NSI says, was the address registered on the account, even though Mr O and his family had moved to Canada some years earlier. Whilst Mr O's parents were operating the account for him, NSI had used their address in Canada, but the UK address remained that on the account.

In May 2020 Mr O wrote to NSI to update his details and to register for NSI's online and telephone service. He also included a signature for NSI's records. NSI did not accept the signature, however, and sent a further request to the UK address. NSI later admitted that had been done in error and offered Mr O £50 by way of compensation. When it sent that payment by cheque, NSI included a premium bond application form, so that Mr O could invest the money if he was unable to pay it into a UK bank account. In the course of our investigation, NSI offered a further £50 in compensation, making £100 in total.

NSI agreed, it says exceptionally, to invest Mr O's two £25 prizes in his existing premium bond account, even though its instructions to do so had expired. It amended its records to update Mr O's address in September 2020. The account is now active, although Mr O has been unable to access it online. NSI says that this is because he has not been able to pass security, but that completion of a forgotten security form should resolve that.

Our investigator considered what had happened. Having noted that, during the course of our investigation, the account address had been updated, she thought that NSI had nevertheless not done enough to compensate Mr O for the inconvenience to which he had been put. She recommended that NSI increase the compensation paid to £300 in total.

NSI did not accept the investigator's assessment and asked that an ombudsman review the case. Mr O noted that matters had still not been resolved, since online access to the account had not been set up.

I reviewed the case and issued a provisional decision. I noted that the account had operated as it should have done until Mr O was 16. After that, he had to take over its operation. That process had been complicated by the fact that the address registered to the account had not been changed to the address in Canada. That was not a problem as long as Mr O's parents were operating the account and as long as prizes were paid direct to it – rather than being sent by cheque.

I thought that the process of changing the account operation had taken longer than it might usually have done, but that was not the fault of NSI. And, whilst I noted that Mr O had not been able to set up online access, I noted too that NSI had indicated it would be possible if Mr O submitted a forgotten security form. I did not recommend that the complaint be upheld.

Mr O did not accept my provisional. He said (in December 2022) that he still did not have full access to the account. The communication in April 2020 had not said that instructions to reinvest winnings would need to be confirmed. He pointed to a number of occasions in July to September 2020 when NSI had written to the UK address, even though it had instructions not to and even though it knew Mr O's address in Canada. He said too that sterling cheques had been sent to Canada, even though he does not have a sterling account there or in the UK.

In response, NSI said it could not change the address on the account until it had the necessary documents from Mr O. It wrote to him at his address in Canada to start that process, but correspondence about his complaint was sent to the UK address until the change had been completed. It did accept however that complaint acknowledgement letters were sent to the UK address on 2 and 30 September 2020 – after the change had been made – and that this was a mistake.

It said too that it had updated Mr O's address in September 2020, and prizes are paid to the account. It said that, even if Mr O did not have online access, he was notified of any prizes – including one quite recently, which it described as “substantial”.

NSI also explained that it does use its “Knowledge Based Authentication” system for overseas customers. That system uses information about, for example, UK bank accounts to identify customers. NSI said that Mr O's password expired before online access had been set up, and it referred to its earlier explanations of what Mr O needs to do if he wants to set up online access. It said too that its usual practice is to pay compensation to a linked bank account (Mr O does not have one) or by warrant sent by post.

### **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 indicated in my provisional decision that I thought the switch from the account being operated by Mr O's parents to it being run by him had been complicated by the fact that the account address had not been changed. On reflection, I would add that the ending of the instruction to reinvest funds and the fact that Mr O was in Canada (so didn't have a UK bank account) complicated matters further. That might not have been such a significant issue if Mr O had not won two prizes in the time after his sixteenth birthday but before the changes had been made. If those prizes had been won a few months earlier or a few months later, they would have been paid into the account. That was unfortunate, but the timing was not the fault of NSI or of Mr O.

Mr O says that NSI's initial contact to tell him about the changes to the way the account would be operated should have explained that any standing instruction about the investment

of prize money would be revoked. I can see his point about that, since in the event it was directly relevant to his situation. I don't believe however that the initial contact could cover every eventuality. It explained that Mr O would be responsible for the account from his sixteenth birthday and what he needed to do to start that process.

NSI acknowledged that it should not have requested a specimen signature twice. Even if it had not done so, however, I think it unlikely that the changes to the account would have been made in time for the two £25 prizes won in June 2020 to have been paid directly into Mr O's account. I note however that NSI did arrange for that to happen – it says as an exception. And, because NSI established that no prizes were allocated to those bond numbers before the account was credited, I am satisfied that there was no loss as a result of the delay.

I accept NSI's explanation that the account address could not be changed until the necessary formalities had been completed. That meant that initial correspondence about the complaint was sent to the UK address. NSI acknowledges however that in September 2020 it sent two letters to the UK address that should have been sent to the address in Canada. The same applies to the final response.

As the investigator noted, however, the Financial Ombudsman Service cannot consider complaints about the handling of complaints – as distinct from complaints about the provision of financial services. Where I uphold a complaint about a financial service, however, I can make an award to recognise any distress suffered or inconvenience caused. That can include distress and inconvenience resulting from the handling of the complaint.

NSI agreed to pay £50 by way of compensation, but said that it could only do so by paying it in sterling to a nominated account or by warrant. Since Mr O does not have a sterling account, it suggested he could use a warrant to open a second NSI account. Otherwise, he would have to pay conversion fees in Canada. That is, I think, unhelpful; where a financial business offers to pay compensation, it should be straightforward for a customer to receive it. I take the same view of awards which I might make. I will explain below how I think that can be done in this case.

On reflection, I think that NSI has made errors in this case and that Mr O should receive some compensation for that – albeit not as much as the investigator recommended. Specifically, NSI should not have asked for the specimen signature more than once, and it should have used the correct address for the letters of 2 and 30 September 2020, as well as the final response of 15 October 2020. Because Mr O was already concerned about the process of changing the address, its errors caused more distress than might otherwise have been the case.

I note what Mr O has said about obtaining online access to the account. In my provisional decision I said that NSI's position was that the issue could be resolved if Mr O submitted a forgotten security form and that I could review the position if he did that. His response to my provisional decision did not however say if he had done that, so I do not believe that I can fairly uphold that element of the complaint. My consideration of this complaint won't however prevent Mr O from bringing a further complaint about events after this decision, should he consider that necessary.

### **Putting things right**

The errors that have I mentioned above do warrant some compensation. In my view, a sum of £100 is appropriate. But it should be paid in a way which does not cause further inconvenience to Mr O. My award therefore sets out four different ways in which Mr O can

be compensated. It is for him to choose which of those he thinks appropriate – assuming of course he accepts my decision.

### **My final decision**

My final decision is to uphold Mr O's complaint. In order to resolve it in full, National Savings and Investments should pay Mr O £100. Payment should be made by one of the following methods – at Mr O's choosing:

- by sterling warrant/cheque;
- by transfer in sterling to an account nominated by Mr O;
- by warrant/cheque for the Canadian dollar equivalent of £100 at the time of drawing;
- by transfer in Canadian dollars of the equivalent of £100 at the date of payment; or
- by crediting Mr O's premium bond account.

Payment should be made within 28 days of Mr O's acceptance of this determination and choice of payment method. If it is not made within that time, National Savings and Investments should add interest at 8% a year simple from the date of acceptance to the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 3 March 2023.

Mike Ingram

**Ombudsman**