

The complaint

Mr and Mrs M complaint about delays by National Savings and Investments (NS&I) when returning funds.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Mr and Mrs M have told us they sent a large sum to NS&I by way of a CHAPS payment on 4 May 2022. NS&I says its bank received the funds on 5 May 2022 but the payment instruction didn't contain a valid reference number for Mr and Mrs M's account so couldn't be added. Mr and Mrs M checked NS&I's online banking facility in the days that followed and called it on 11 May 2022 when the funds weren't showing in their account. NS&I said the funds hadn't been applied and that its agent called a back office team which advised the funds should've gone back on 9 May 2022, when they couldn't be applied to the account. NS&I's notes also say the account information it needed to return the funds was missing from the original CHAPS instruction it received.

Mr and Mrs M spoke with NS&I again on 13 May 2022 when the funds weren't received back by their bank. A complaint was raised.

On 17 May 2022 NS&I advised Mr and Mrs M it was waiting for information from the issuing bank required to send the funds back. NS&I have said the sending bank's account information was missing from the CHAPS instruction. But NS&I was able to send the funds back later that day.

NS&I responded to Mr and Mrs M's complaint and said the funds weren't returned in line with its normal approach. NS&I's final response didn't say why the funds took so long to send back. NS&I apologised and sent Mr and Mrs M £130. NS&I also said that if Mr and Mrs M returned the funds it would backdate the interest to the date the payment was originally received.

An investigator at this service looked at Mr and Mrs M's complaint. In its file submission, NS&I says it should've been able to return the funds to Mr and Mrs M's bank sooner. NS&I said it wanted to add a further offer of £118.36 in interest which covered the period between 9 May 2022 and 17 May 2022. The investigator thought NS&I had dealt with the issues raised fairly and didn't ask it to take further action or increase the award.

Mr and Mrs M asked to appeal and said the compensation paid wasn't reasonable and failed to take into account the level of distress and inconvenience caused over an extended period. Mr and Mrs M also said NS&I had received the funds on 4 May 2022 and returned the payment on 17 May 2022, a period of 14 days. Mr and Mrs M said they thought NS&I should also pay 8% interest on the funds that were sent back, not the 1.2% the account would've paid. As Mr and Mrs M asked to appeal, their complaint has been passed to me to make a decision.

What I've provisionally 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'd like to begin by noting I've set out the background above in less detail than the parties involved. I want to assure Mr and Mrs M as well as NS&I that I've read and considered all the available information, including the responses to the investigator. I'm not going to comment on every point made and raised. No discourtesy is intended by my approach which reflects the informal nature of this service as an alternative to the courts.

I've reached a different view to the investigator concerning how to fairly resolve Mr and Mrs M's complaint. But I haven't been persuaded to award compensation in line in with Mr and Mrs M's response to the investigator. I'll explain why.

The funds were delayed because the sending account details were missed. But NS&I has confirmed the information was available within the original payment instruction its bank received so it should've been possible to send the funds back sooner. I agree there was an avoidable delay in returning the funds to Mr and Mrs M.

Mr and Mrs M have told us they think interest should be paid from 4 May 2022 to the day the funds were returned, 17 May 2022. But I think it's fair to note that the payment couldn't be applied to Mr and Mrs M's account with NS&I as it was missing the reference number required. So there would always have been a delay to Mr and Mrs M receiving interest on their funds. In addition, the systems information I've seen doesn't show NS&I or its bank received Mr and Mrs M's funds on 4 May 2022. The systems information shows NS&I's bank received funds in the afternoon of 5 May 2022. And it's confirmed the funds would've been forwarded to it either on 5 May 2022 or the following day if the necessary reference had been included. I note NS&I's offer to refund interest from 9 May 2022. That date takes into account a weekend. NS&I says that, if everything had been processed correctly, that's the earliest point Mr and Mrs M would've received their funds.

I understand Mr and Mrs M's view that the funds should've been sent back on receipt. But I think it's fair to say that even if the return account details had been located at the outset, the refund would've taken some time to arrange and process. NS&I says it aims to complete the process within three working days of receipt. I'm satisfied that a period of three working days is a reasonable amount of time for NS&I to take to return the funds it received without a reference. Based on the information I've seen, I'm satisfied 9 May 2022 is reasonable date to use when calculating the interest. NS&I has calculated the interest to 17 May 2022 – the date the funds were returned. I'm satisfied that's a fair approach.

NS&I's final response offered to backdate interest if Mr and Mrs M decided to proceed. And in its file submission, NS&I said it wanted to offer £118.36 to reflect the interest Mr and Mrs M would've received during the period of the delay. Mr and Mrs M have told us they think we should use 8% interest on the award. But, here, we know what return Mr and Mrs M would've received on their funds if they'd been paid into the account as planned. There are circumstances where we will tell a business to pay 8% interest. However, in this case, I'm satisfied a fairer approach that more accurately reflects Mr and Mrs M's financial loss would be to tell NS&I to use the interest rate that was payable on their account. I haven't been persuaded to award 8% interest or increase the interest payment offered by NS&I.

NS&I offered Mr and Mrs M £130 to reflect the level of distress and inconvenience caused. I've reviewed the full circumstances of their complaint and agree that figure doesn't take into account everything that happened or the level of distress and inconvenience caused. The sums here were substantial and I think Mr and Mrs M should've been able to rely on NS&I

and its agents to act without avoidable delays. I'm satisfied there was a lack of clear guidance from NS&I on what was happening to a large amount of money and I'm not persuaded £130 reflects the circumstances of Mr and Mrs M's complaint. Based on the information I've seen, I intend to increase the award for Mr and Mrs M to £300. In my view, that figure more fairly reflects the level of distress and inconvenience caused to Mr and Mrs M.

I invited both parties to respond with any additional information or comments they wanted me to consider before I made my final decision. NS&I confirmed it was willing to proceed in line with my provisional decision.

Mr and Mrs M responded but didn't accept and provided further context concerning the level of calls they'd had to make to NS&I to try and locate the missing funds. Mr and Mrs M also gave further comment concerning how NS&I had handled the transfer and the delays involved. Mr and Mrs M told us they didn't think £300 fairly reflected the level of distress and inconvenience caused. In addition, Mr and Mrs M highlighted information from our website that talks about awarding 8% interest and said they thought an award of that nature is appropriate in this case.

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'd like to thank Mr and Mrs M for the level of detail given in their response. I've read and considered the additional points made, but I haven't been persuaded to change the settlement I noted in my provisional decision. I'm going to start by looking at the interest award.

As I set out in the provisional decision, there was always going to be a delay (and degree of inconvenience to Mr and Mrs M) because the transfer NS&I received from their bank didn't contain a valid reference. The funds were received by NS&I on 6 May 2022, a Friday, and the earliest NS&I says it could've applied them to Mr and Mrs M's account was 9 May 2022, the following Monday. Despite NS&I having to send the funds back to the issuing bank, it's agreed to backdate the interest to 9 May 2022. Given there were issues with the transfer that were outside NS&I's control, I'm satisfied its offer to backdate the interest to 9 May 2022 is fair and reasonable.

Mr and Mrs M have pointed to a section of our website that talks about awarding 8% interest. But there is other information for consumers on our website that talks about how we approach compensation for a financial loss. We don't award a standard 8% interest in all cases. Our approach is to try and put the consumer as closely as possible back into the position they would've been in had no errors been made. Here, had the transfer been made as intended, Mr and Mrs M's funds would've been paid into their account on 9 May 2022 and NS&I would've paid interest at the rate payable from that date. So we know what Mr and Mrs M would've received. As we know what Mr and Mrs M would've received, I'm satisfied awarding compensation that reflects their loss is the fairest approach. I'm sorry to disappoint Mr and Mrs M, but I'm satisfied the interest offer NS&I has made is fair and reasonable.

Mr and Mrs M have also highlighted the sorts of award we make to recognise the trouble and upset caused by a business' mistake. Mr and Mrs M gave us details of the level of contact they'd made with NS&I as well as the assistance they received from their son. I can see that Mr and Mrs M contacted NS&I throughout the period in question and its contact notes reflect what they've told us. I accept that Mr and Mrs M were frustrated and distressed by the lack of information concerning an important and substantial amount of money. I've taken

everything Mr and Mrs M have told us into account when deciding what I think is fair compensation for the level of distress and inconvenience caused.

Whilst I agree the original offer of £170 didn't go far enough, I'm satisfied the increased settlement of £300 fairly reflects the impact of the issues raised on Mr and Mrs M. I'm very sorry to disappoint Mr and Mrs M, but I haven't been persuaded to increase the award further. In my view £300 is fair and reasonable in all the circumstances.

Having considered all the available information, I still think Mr and Mrs M's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mr and Mrs M's complaint and direct National Savings and Investments to settle by paying them £118.36 plus £300 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 28 March 2023.

Marco Manente
Ombudsman