

The complaint

Mrs W complains about the service provided by Clydesdale Bank Plc trading as Virgin Money when opening an ISA and a fixed rate bond.

What happened

In 2022 Mrs W held an account with Virgin Money that matured – the proceeds of which were paid into her chosen bank account. In June 2022 she decided to reinvest with Virgin Money, and paid £20,000 into a cash ISA with an interest rate of 2.2%, and £65,000 into a bond with an interest rate of 2.45%. After sending confirmation of the investments, Virgin Money asked Mrs W to provide identity documents. Mrs W questioned the need for these, as she was a pre-existing customer. She was worried about the potential for her documents falling into someone else's hands in transit, so wanted to avoid sending them if possible.

Virgin Money replied and confirmed the identity documents would be required. Mrs W called and was told this would be looked into further – however she was promised several call backs which didn't materialise. In October, Virgin Money returned the amount invested to her bank account. In November they sent a final response to Mrs W's complaint, offering £50 compensation and 8% interest (minus tax) on the £20,000 from the ISA, for the period of 18 October to 31 October 2022. However, they didn't explain why they'd chosen that date range.

Mrs W remained unhappy and so brought the complaint to our service. She wanted interest on the £85,000 invested for the whole period – not simply the dates Virgin Money had chosen. She eventually re-invested in November 2022 elsewhere at a higher interest rate.

An investigator at our service found that Virgin Money should pay Mrs W a total of £100 in compensation for the distress and inconvenience caused. She also found that the original interest rates applicable to the ISA and bond ought to be paid to Mrs W for the whole time Virgin Money had held the £85,000. Mrs W didn't agree, as she felt interest was owed up until the dates she was able to reinvest the money from the ISA and bond – 3 November and 30 November 2022 respectively. She also felt tax shouldn't be deducted from the 8% interest offered. So, the complaint was passed to me for a decision.

I got in touch with the parties and explained I was satisfied a payment of £200 would more fairly reflect the distress and inconvenience caused. Virgin Money agreed to pay that amount. I also set out that some interest had already been paid, and that some ought to be payable, as follows:

- On the ISA – Mrs W received £152.18 (on top of the £20,000 invested) on 18 October 2022. This appeared to be interest at the rate of 2.2% from June to 17 October 2022.
- On the bond – Mrs W received £550.88 (on top of the £65,000 invested) on 17 October 2022. This appeared to be interest at the rate of 2.45% from June to 17 October 2022.

- Virgin Money had offered interest just on the ISA for the period of 18 October 2023 to 31 October 2023 at the rate of 8%. I explained to Mrs W that Virgin Money were required to deduct tax at 20% from this and so it is fair that they do this.
- I asked Virgin Money to pay 8% interest on the bond for the same date range and Virgin Money has agreed to do this.

Mrs W explained she feels interest ought to be payable up to 30 November 2022 on the bond amount, as it took her some time to find a provider she was happy with. As the interest was due to the firm's error, she maintained that she didn't think tax should be deducted – or that she'd prefer to declare and pay the tax herself via her tax declaration. She also felt the £200 was inadequate for Virgin Money's conduct and the inconvenience caused.

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.

Mrs W's complaint goes back to the requirement for identity documents – in general the requirement for these documents is something I consider to be at a firm's discretion. However, the way they communicate with their customers about this needs to be clear, fair and not misleading. Both parties agree that Virgin Money ought to have been better at communicating with Mrs W – both in terms of the clarity and the timeliness of the communication – and for completeness I agree.

I've considered the financial loss caused by Virgin Money's actions. I'm pleased to see that when they returned the capital, this did include the interest at the initial rates of 2.2% and 2.45% and this has been paid up until the money was returned to Mrs W. From 18 October 2022 to 31 October 2022 Virgin Money has offered to pay 8% simple interest, as during this time Mrs W was still being given inconsistent information and so was unable to use the money as she wished.

Virgin Money has provided the calculations of the 8% interest payments and explained that these were not calculated on the actual amount Mrs W received on 17 October 2022 but on a slightly lower amount. That amount is before the final interest of 2.2% or 2.45% was added to the product itself. Having reviewed this issue, I'm satisfied they haven't calculated this correctly. Virgin Money ought to be using the actual amount Mrs W received in the calculations for the interest payment, as follows:

- On the ISA, Virgin Money have used an amount of £20,063.89 but this should be £20,152.18 as this is the actual amount Mrs W was deprived of using.
- On the bond, Virgin Money have used an amount of £65,235.61 but this should be £65,550.88, as again, this is the actual amount Mrs W was deprived of using.

I've carefully considered Mrs W's comments about interest payable from 31 October 2022 to the date she was able to reinvest. I don't think it would be fair to award interest for that time period, primarily because the 8% rate is awarded in situations where someone has been deprived of using the amount in question. After October 2022 Mrs W was in a more informed position and could use the money for whatever she wanted. I've also taken into consideration that because of these problems with Virgin Money, the interest rate she received on her money was higher following reinvestment in November 2022 than it otherwise would have been had the problems not occurred.

Turning to the deduction of 20% from the award of 8% interest - though I do appreciate Mrs W's preference to declare her own tax and deal with it in that way, I'm conscious that this deduction is an industry standard practice. I'm satisfied it's reasonable for Virgin Money to

deduct it here. I'd expect Virgin Money to supply Mrs W with a tax deduction certificate which Mrs W can then use for her own records.

I've also carefully considered the impact of the errors on Mrs W. Due to Virgin Money not being clear and consistent with their answers to Mrs W's questions, she was caused inconvenience in having to repeatedly ask similar questions to Virgin Money. She was naturally confused by the lack of consistency in the answers. I'm satisfied that £200 fairly reflects the level of service she received over the summer of 2022.

My final decision

I uphold this complaint. Clydesdale Bank Plc trading as Virgin Money should pay Mrs W:

- £200 for the distress and inconvenience caused
- Simple interest at the rate of 8% on £20,152.18 and £65,550.88 from 18 October 2022 to 31 October 2022.

If Virgin Money considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs W how much it's taken off. It should also give Mrs W a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 3 November 2023.

Katie Haywood
Ombudsman