

The complaint

Mr R complains that due to a Santander UK Plc error, he wasn't able to take advantage of a year's Individual Savings Account (ISA) allowance.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. The facts are not in dispute, so I'll focus on giving the reasons for my decision.

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 conclusions reached by the adjudicator for these reasons:

- Santander don't dispute that if it wasn't for their error, Mr R would have utilised his 2021-22 ISA allowance in full.
- It has been confirmed that despite it being no fault of Mr R, the ISA cannot be taken out retrospectively. I have also had this confirmed directly to me.
- Santander has agreed to pay the redress as prescribed by the Investigator. This was calculated using the well-defined method of this Service in cases such as these. The calculation was £20,000 (investment amount) x 2.5% (dividend distribution rate) x 32.5% (extra tax rate – because dividend distributions are taxed at 32.5% for a higher rate taxpayer outside an ISA) x 10 (number of years we generally assume the investment will be kept, outside an ISA, as discussed above) = £1,625.
- Mr R has not agreed to this redress. He has said that the term of 10 years isn't sufficient as these ISA investments form his retirement planning and he intends to keep them in place until then. Whilst I appreciate this point, we can't be sure of the future and what circumstances Mr R might find himself in that might require these funds. The fact they are in an ISA wrapper rather than a pension product such as a SIPP, suggests they are more accessible. I think the 10 years investment term we assume is fair in this case too.
- Mr R also said he was unhappy with the distribution rate used. I appreciate his comments, in light of recent rate increases. However, we can't be sure of the rates going forward and this is the calculation rate that we currently and consistently use.
- In summary, I think the redress proposed by the Investigator and agreed to by the business is fair. Our role isn't to punish the business for their error. And we are not attempting to compensate Mr R for lost investment opportunity. But instead for the tax he might have to pay in holding the investment outside of an ISA wrapper. I think this redress does that. I also think the offer of £200 compensation for the distress and inconvenience is sufficient in recognising the impact this has had on Mr R.

For these reasons, my decision is that Santander should compensate Mr R as they have previously agreed to.

Putting things right

I require Santander UK Plc to:

1. Pay Mr R total compensation of £1,825. Less any amount they have already paid as compensation for this complaint.
2. This amount includes £200 as compensation for Mr R for the distress and inconvenience this issue has caused.

My final decision

My final decision, for the reasons set out above is that I uphold this complaint and require Santander UK Plc to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 23 June 2023.

Yoni Smith
Ombudsman