

The complaint

Ms K has complained about the service received from Lloyds Bank PLC. Her complaint is about a transfer of her ISA funds from a third party to it. Ms K is unhappy that the transfer was cancelled and has said she has suffered financial loss because of this.

What happened

Ms K held a stocks and shares ISA with a third party. She decided she wanted to transfer the total value of this ISA, that being around £258,591. She decided that all her stock held was to be sold and then transferred as cash. Ms K was looking to do this as she was at some point going to buy a retirement property with the proceeds. Ms K put in a transfer request form with Lloyds on 3 December 2021 to transfer all the value from her ISA with a third party to an existing cash ISA with it.

Ms K received a letter from the third party on 13 December 2021 to say the transfer of around £258,591 had been complete. On 23 December 2021 Ms K went into a Lloyds branch and a staff member advised her that it had not received the funds. On 6 January 2022, Lloyds cancelled the transfer and sent a cancellation letter to Ms K.

Since the transfer didn't happen, Ms K, still with plans to use the funds, requested that the money from her ISA be transferred to Lloyds current account and then onto a club saver account. This took place on 30 March 2022 but by this stage Ms K's total amount held with the third party had fallen to around £252,142. This is because the third party had an agreement in place on her stocks and shares ISA account that it could automatically invest the money. So, between the cancellation of the first transfer and the successful second transfer, Ms K's funds had reduced due to investments losing value. This was less than the total value of her stocks and shares ISA when she originally asked for the amount to be transferred. Ms K complained to Lloyds about this and said it was responsible for her investment losses here as it was responsible for not completing the transfer in the first place.

Lloyds responded to Ms K and said it instructed the ISA transfer from the third party, but it was the third party that had not sent the funds. It said therefore it cancelled the transfer once a period had elapsed.

I issued a provisional decision on this complaint in May 2023. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

"Ms K said the cancellation of a transfer she requested on 3 December 2021 was caused by Lloyds. Lloyds has not accepted responsibility for this and said it didn't receive the funds from the third party. So, I first need to consider what happened here and whether Lloyds was responsible for the cancellation of the transfer or not.

Ms K said she put in a transfer request to the third party on 3 December 2021. 10 days later Ms K received a letter from the third party saying the transfer was complete for £258,591 to Lloyds. The third party sent this letter because it says on that date it made payment for the total amount to the Lloyds bank account details supplied to it. I have looked at the third

party's notes on its system and it says on the 22 December 2021 that the money was returned from Lloyds. The third party then said it made attempts to contact Lloyds on 23 December 2021 and again on 5 January 2022. I can see an email it has sent to Lloyds where it asks whether it should attempt to transfer the funds again to the same account details or not.

Lloyds has said until recently that it did not receive the money from the third party, but that on balance, doesn't seem right. It looks to me that the third party tried to transfer the funds, but these were sent back by Lloyds. Then, when the third party attempted to resolve matters and try another transfer, it was unable to make contact or obtain any further information from Lloyds about how to transfer the funds in a successful way.

Lloyds then cancelled the transfer on 6 January 2022 as the 30-day transfer time frame it was working to had passed. I would like to note at this point that this was a transfer of cash only (albeit held in a stocks and shares ISA) to a cash ISA. Government guidelines state that transfers between cash ISAs should take no longer than 15 working days. As only cash was being transferred from the third-party ISA, I consider it's reasonable to conclude that the transfer should have been completed within 15 working days. And if that had happened, Lloyds would have needed to complete the transfer by 24 December 2021 and not the 6 January 2022 date that it had earmarked on its own system. That said, Lloyds sent a cancellation letter to Ms K on this date and a day later emailed the third party asking it to call to discuss the transfer, after it had cancelled everything.

When I consider what I know about this transfer, I don't think Lloyds are right to say it didn't receive the funds. It looks on balance, like it did receive the funds from the third party but there was an issue with it applying it to Ms K's account. I say this because the third party has kept a record of when it transferred the funds over to Lloyds and this then triggered an automated letter being sent out to Ms K on 13 December 2021.

I asked Lloyds recently about the funds being returned to the third party, and what I had seen that showed this to more likely than not be the case. Lloyds replied and said that it is likely (although it wasn't certain) that a barrier was placed on the account and with this being so, the money was returned automatically to the third party. Lloyds stated that its ISA accounts have barriers on them which need raising before funds will be accepted into them, and it looks like the barrier wasn't raised on Ms K's account which was to receive the transfer.

I have been unable to understand the reasons for this, but it looks like the issue was something that Lloyds needed to deal with if it was to carry out its responsibility and successfully transfer Ms K's funds to one of its cash ISA accounts. After all, Lloyds had agreed that Ms K could transfer her funds into the cash ISA, and so it needed to take the necessary steps to allow that to happen, including removing any barrier to money coming into the account.

I've also not been able to see if Lloyds made any attempts to contact or reply to the third party to attempt to successfully resolve this issue and make the transfer happen within a reasonable time frame. And I can see the third party did on the other hand try to make contact to do this. If Lloyds had responded to the third party on 23 December 2021, it could have resolved the issue that was stopping the money being transferred. But instead, it cancelled the transfer and then responded when it was too late.

So, I think on balance, Lloyds are responsible for the breakdown of Ms K's transfer request. I say this because it hasn't been able to explain why it returned the funds to the third party other than to say there was a barrier on the account and hasn't been able to show that it made any attempts to rectify or put right the transfer, like the third party has.

Ms K says she has incurred an investment loss, as the transfer cancellation caused the overall value of her ISA to fall. This is because once the transfer was cancelled the funds were returned to Ms K's stocks and shares ISA. Ms K held an agreement where these funds would be invested and during the period from the cancellation of the transfer to the time, she was able to move the funds instead to a Lloyds savings account on 30 March 2022, the total value of her ISA had fallen. I am currently minded to conclude that but for the cancellation that I have concluded Lloyds are responsible for, Ms K wouldn't have incurred these investment losses. So, I am minded to conclude that Lloyds' failings have caused Ms K's investment losses and this needs to be put right.

Finally, I think the cancellation that I have concluded Lloyds are responsible for and the lack of a clear explanation from Lloyds about why the transfer had failed caused Ms K distress and inconvenience. It has not yet been found out what exactly happened to the transfer and why the money was sent back to the third party. This I can see has caused Ms K distress and inconvenience as she has attempted to make contact and find out what was going on. I think this would have been stressful for Ms K and so I currently think Lloyds should pay her £250 in recognition of this."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Ms K replied on 25 May 2023 and said she was happy to accept the findings of my provisional decision.

Lloyds responded also on 25 May 2023 and said it would accept the recommendations from my provisional decision as well. It asked if rather than obtaining the value Ms K would have transferred if the transfer had gone through on 24 December 2021, if it could instead pay the difference between the initial payment the third party attempted to transfer and what Ms K ended up transferring.

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.

Neither party has anything further to add that will change the outcome of this complaint and both have agreed with my findings. So, because of this, I don't see any reason to depart from what I have said within my provisional decision. With that being the case, I uphold Ms K's complaint and Lloyds now needs to put things right.

Putting things right

Lloyds have asked if it can use the amount the third party tried to transfer across and subtract the amount that was eventually transferred across. If it obtains the value that Ms K would have transferred had the transfer had gone through on 24 December 2021, it will be the amount that the third party tried to transfer across originally. This is because by this date it had sold all the holdings in Ms K's ISA and held that amount as a cash balance before transferring it. So, Lloyds can do as it suggests. But it will also need to add 8% simple interest and pay the distress and inconvenience payment as I have described below.

I direct Lloyds Bank PLC to:

- Obtain the value that Ms K would have transferred had the transfer gone through on 24 December 2021 (A). Compare this to the amount she eventually transferred into a savings account on 30 March 2022 (B).

- If A is greater than B, pay that difference to Ms K. If B is greater than A, there is no loss.
- To any loss identified when comparing A to B, add 8% simple interest a year (less tax if properly deductible) on the amount Ms K lost calculated above, from the date she should have received the money, this being 24 December 2021 to the date of settlement.
- Lloyds should also pay Ms K £250 for the distress and inconvenience caused by delaying the transfer of her ISA funds and failing to explain clearly why the transfer had failed.

My final decision

My final decision is that I uphold Ms K's complaint and direct Lloyds Bank PLC to pay compensation as I have described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 27 June 2023.

Mark Richardson
Ombudsman