

The complaint

Mr R complains that Clydesdale Bank Plc trading as Virgin Money provided him with poor customer service regarding his Individual Savings Account (ISA).

What happened

Mr R says he opened a one year fixed rate ISA with Virgin Money with an initial deposit of £5,000 as part of his ISA subscription for the tax year. Mr R says he requested an ISA transfer from a third party provider to Virgin Money for £78,000. Due to a family need, Mr R wanted to access some of the funds. As interest rates had nearly doubled since Mr R opened his fixed rate ISA then he wanted to deposit the remaining amount into a new ISA. Mr R says he rang Virgin Money several times, but he was unable to connect with a call handler despite him spending over an hour on the phone for four days. He says there were no clear instructions online of how to access his funds and transfer them to another ISA without losing the ISA status.

Mr R says the first email was sent to Virgin Money on 25 October 2022 about accessing the funds. He says he had no option but to access the funds online, not really knowing what he was doing, and he incurred a £280.18 penalty for accessing the funds. Mr R says that he wanted the funds to be transferred over to a standard ISA, but he was disconnected online. He says when he managed to reconnect, his balance was showing as zero and he didn't know where his money had gone. He found out the following day that the funds had went to a third party provider account and he lost his ISA status. Mr R says that he tried to contact Virgin Money regarding this, sending them emails, but he didn't receive a response, so he ended up depositing the funds in an ISA with the third party provider, who accepted the funds did come from an ISA (apart from the £5,000 deposit he had made with Virgin Money into his ISA). Mr R made a complaint to Virgin Money.

Virgin Money partially upheld Mr R's complaint. They offered him £100 compensation as a gesture of goodwill for any distress and inconvenience. They apologised for any call waiting time that he experienced when he attempted to speak to them regarding this matter. They said in regards to the withdrawal and/or closure of account, there are designated instructions under each sub-header which indicates how much of the funds he would like to withdraw, the destination of the withdrawal and whether or not he wished for his account to be closed. They said the funds were withdrawn from the account into the nominated account details they held on file for him. Virgin Money said they acted accordingly in line with Mr R's request as per the withdrawal, and the process online is clear in relation to withdrawals and therefore they would not be offering to backdate his interest as per his request. Mr R brought his complaint to our service.

Our investigator thought the offer of £100 compensation was fair. He said Virgin Money provided him with screenshots of their online process, which provide a step-by-step guide on how to complete the transaction online, and therefore he couldn't agree Virgin Money made any errors surrounding this concern. Mr R asked for an ombudsman to review his complaint.

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've looked at the screenshots which Virgin Money provided our service. I'm persuaded that it ought to have been clear to Mr R that he was transferring out of an ISA, and I'll explain why. The screenshot shows there are two options Mr R could have chosen, "*Virgin Money transfer*" or "*transfer to a nominated account*". Under the first option it says "*Transferring funds to another ISA with Virgin Money is not permitted online*". So Mr R should've been reasonably aware that he couldn't transfer to another Virgin Money ISA using this online form.

The evidence shows that Mr R would have selected to transfer into a nominated account. Virgin Money say that this would have been set up when Mr R opened his account. As Mr R says he deposited £5,000 into his Virgin Money ISA from his third party current account, then it appears this was his nominated account. The screenshot from them shows that the sort code, account number and payee name would display on the screen. So Mr R would've been aware of where his funds were being transferred to – a current account and not an ISA. But there is also a section to amend the details of the nominated account. So if Mr R didn't want the funds going to his current account elsewhere, he could have selected a different account for the funds to be transferred to.

On the same screen, it says "*Please enter the amount you wish to withdraw. Alternatively, if your full balance is available, you can withdraw all funds by closing your account*". So Mr R would've been able to enter the amount he wanted to pay a family member into the box below and this would have ensured he would've had the money in his current account to give to them. But instead, it would appear that he selected the option "*Close account*". There is also a confirmation screen, so Mr R would've been able to have seen the details before he confirmed to close the account and transfer his funds to his external current account. The screenshots show a two-factor authentication screen. So Mr R would have had to enter the code to complete the process. He accepted the penalty at 6:45pm on 1 November 2022 and the transaction completed. So as Virgin Money had completed the instructions Mr R gave them, I can't hold them responsible if Mr R transferred the funds to an account he didn't intend to transfer them to.

I've considered what Mr R has said about the customer service from Virgin Money. I do think that they let Mr R down here. There will be times where phone lines are busier than expected and there may be longer hold times as a result of this. But the waiting times Mr R has described – which Virgin Money haven't disputed were longer than what would be considered reasonable. And Virgin Money did receive the emails that Mr R sent them, but it appears they treated this as a complaint and therefore didn't respond to Mr R until several months later – when he had been able to get the majority of the funds back into an ISA with the third party provider.

But even if Virgin Money would have responded to Mr R's emails after the withdrawal, they would have been under no obligation to return the funds back into an ISA. This is because Mr R had unintentionally chosen to withdraw the funds outside of an ISA wrapper. They would have needed to complete an internal ISA transfer to maintain the ISA wrapper, if they offered this service from a fixed rate ISA. So I'm not persuaded it would be proportionate for Virgin Money to pay Mr R any lost interest when he chose – albeit unintentionally, to have the funds transferred to his external account. And while it's probable a different course of action would have happened if Mr R was able to speak to them on the phone prior to Mr R making the transfer, ultimately, he took the decision to transfer the funds to his current account and therefore lose the ISA status.

So while I don't think it's proportionate that Virgin Money pay Mr R for any interest he believes he's lost, I do think their actions had an impact on Mr R. Not only was he inconvenienced by the long waiting times on the phone, but it would have been distressing for him to receive no response to his emails and no help from Virgin Money. I've considered what would be reasonable compensation for this. And I'm persuaded that £100 is fair. I say this as £100 is in line with our guidelines for awards for the customer service that he experienced here. It is what I would have awarded Mr R if Virgin Money did not partially uphold his complaint. So it follows that I'll be asking Virgin Money to put things right for Mr R.

Putting things right

Since this service's involvement, Virgin Money have agreed to pay Mr R £100 for poor customer service, which I think is reasonable in the circumstances.

My final decision

I uphold this complaint in part. Clydesdale Bank Plc trading as Virgin Money should pay Mr R £100 compensation (less anything they have already paid him) for distress and inconvenience.

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

Gregory Sloanes
Ombudsman