

The complaint

Mr H complained about what happened when National Savings and Investments ('NS&I') realised it had paid him prize money on bonds that NS&I later deemed ineligible to win prizes and restricted his access on another account until he agreed to allow the prize money to be recovered.

What happened

In October 2021, Mr H had an existing premium bond account with a holding balance of £49,750 – I'll call this PB1. He applied online and opened a second premium bond account with a purchase of £33,500 – which I'll call PB2. This took Mr H's total premium bond holdings over £50,000.

In monthly prize draws in December 2021 - March 2022, bond numbers in PB2 won a total of five £25 prizes. Mr H also made additional purchases between October- December 2021 and on 14 March 2022, he closed his PB2 account when £38,625 was cashed in online.

In June 2022, a routine "sweep" of NS&I's system picked up that Mr H had held combined premium bond holdings that exceeded the maximum £50,000 premium bond limit each person is allowed. NS&I wrote to Mr H on 5 July 2022 telling him that his ineligible bonds had won prizes to which he wasn't entitled and asked him to pay back the £125.

It also added a block to Mr H's accounts with NS&I. The block on his account prevented Mr H from carrying out any transactions – effectively, he was locked out of his money in PB1.

On 9 July 2022 Mr H told NS&I that he had understood, after first checking online, that he could open more than one premium bond account. He said he wouldn't be returning the money and he didn't give permission for NS&I to take money from PB1.

NS&I replied on 18 August 2022 explaining that the information about multiple accounts which Mr H had relied on didn't relate to premium bonds. In support of its position, NS&I referred him to terms and conditions (which it enclosed) and said any premium bond numbers that go over the £50,000 limit weren't eligible to win prizes and it had the right to reclaim prizes paid in error. NS&I repeated its repayment request and told Mr H it would take the sum from his current premium bond holding if it didn't receive a reply within 21 days.

Mr H phoned NS&I on 5 September 2022 when he couldn't get access to his account to withdraw his money. On 8 September 2022, Mr H emailed NS&I to say he'd sent a cheque for £125 but was concerned about a postal strike - he asked to be notified when his account was unlocked. He rang again on 12 September 2022 because he was still locked out of his account and he urgently wanted access to his money.

The call handler talked Mr H through a couple of different options. He explained that Mr H could cancel the cheque he'd sent and it was agreed that as Mr H had consented, he would request the deduction of £125 from Mr H's premium bond holding and unblock the account

so Mr H could access his money. The account block was removed allowing Mr H to transact again.

The payment request was processed on 15 September 2022. But because NS&I had already banked his £125 cheque and Mr H had stopped payment, it received a 'Refer to Drawer' message from Mr H's bank which prompted NS&I's standard letter telling Mr H he needed to send a new cheque and application form '*...if you still wish to purchase Premium Bonds...*'. NS&I sent a further letter on 16 September 2022, to confirm that it had deducted the £125 from his remaining balance.

NS&I didn't uphold Mr H's complaint, saying that it hadn't made any error and it had followed correct process by adding the blocking to his account.

Mr H brought his complaint to this service and one of our investigators looked into what happened. She felt (in brief summary) that the complaint should be upheld because:

- NS&I should have identification processes in places to prevent customers from opening multiple accounts, especially since it's disallowed
- Mr H had only been able to win £125 because NS&I had made an error when it let him open and keep the account for so long without this being identified
- it wasn't proportionate for NS&I to block Mr H's access to the £4,750 in his account when the sum of £125 was in dispute
- this had been embarrassing and upsetting for Mr H and NS&I should pay £125 for the distress and inconvenience caused by the restriction to his account.

Mr H agrees with the investigator's findings – and he has sent in further information in support of his complaint. NS&I disagrees this is a complaint we should uphold. It mainly says:

- Mr H was only able to open PB2 because he inputted initials instead of his full name
- it's unclear why he didn't try and add to his existing holding when trying to buy additional bonds and had he done so, the system would have prevented him purchasing £33,500
- NS&I told him in early July 2022 what happened and he refused to comply
- Mr H could have agreed earlier to pay back the £125 before his need for the money became urgent
- NS&I gave him plenty of notice of its intentions
- the money is owed to the rightful prizewinners so it wouldn't be right to set a precedent of upholding Mr H's complaint
- what happened was a result of Mr H trying to '*get round*' the system.

The complaint came to me to decide. I issued a provisional decision.

What I said in my provisional decision

Here are some of the main things I said.

'We provide an informal complaints handling service and this is reflected in the way I've approached the complaint. The purpose of my decision isn't to address every single issue raised because it's not what I'm required to do in order to reach a decision in this case. My role is to consider the evidence presented by the parties and reach an independent, fair and reasonable decision based on the facts of the case.'

The crux of Mr H's complaint seems to be that NS&I blocked his account without informing him, so I've thought carefully about the way NS&I acted in this matter.

The terms of the customer agreement Mr H agreed to when he opened his premium bond account PB2 say: *'Each person can hold up to a limit of £50,000. Any Premium Bond numbers that go over the £50,000 limit are not eligible to win prizes. If a number beyond the limit is drawn, and a prize paid in error, we have the right to reclaim it.'*

Normally, NS&I's system would have identified when someone exceeded their premium bond personal allowance. It had been possible for Mr H to exceed his personal limit because he had inputted slightly different details when applying online for his PB2 account which hadn't matched the information NS&I held on the system for him already in relation to PB1.

How businesses choose to operate and their systems and processes are beyond my remit – those matters come under the oversight of the regulator - the Financial Conduct Authority (FCA).

And I don't need to decide who was responsible for Mr H holding ineligible bonds as this makes no difference to the outcome. The fact alone that Mr H exceeded his £50,000 personal limit meant NS&I was entitled to reclaim prize money that had been paid out to Mr H when his ineligible bond numbers had been drawn, in line with NS&I terms and conditions. So, I don't think NS&I made any error or treated him unfairly by asking him to repay the money.

I also think NS&I was within its rights to seek to recover the incorrectly paid out prize money from Mr H's PB1 account. But, to my mind, it should have handled matters better than it did and provided Mr H with better customer service bearing in mind that NS&I still needed to act in a fair and reasonable way. For example, when NS&I wrote to Mr H on 5 July 2022 alerting him to what had happened and asking him to pay back the £125, it also added a block to Mr H's PB1 account without telling Mr H it had done this. I don't think this was treating Mr H fairly – partly because I think NS&I should have been more transparent with Mr H and warned him it would do this or, at the very least, told Mr H it had done this. Also, I think NS&I was too quick to take action that had a potentially serious impact on Mr H, leaving him unable to access his money or operate his account at all, before any resolution had been explored, especially as there was an ample surplus in the account over and above the £125 NS&I needed to recover.

When Mr H told NS&I that he didn't agree to it taking the £125 there still wasn't anything in NS&I's next letter about his account being blocked. In fact, NS&I said it would take the payment *'within 21 days'*, so I don't think Mr H had any reason to think that he couldn't operate his PB1 account in the usual way and withdraw £1,000. Unsurprisingly, it came as a shock to Mr H when he found he couldn't withdraw any money from the account online. I think it was a serious service failing on NS&I's part when it took action without telling Mr H preventing him from operating his account, when he could have reasonably expected to be able to access the bulk of his £4,750 held in the account even if he was disputing the recall of £125 worth of prize money.

I think the situation was made worse during the phone call on 5 September 2022 when NS&I told Mr H contradictory information and failed to explain things better. The call handler initially told Mr H, more than once, that he would *'get the block removed'*. But after putting Mr H on hold and checking with a colleague, he told Mr H his account had *'some sort of blocking'* on the account and the only way Mr H could withdraw funds was by filling out a withdrawal form, which the call handler arranged to send in the post. During the call the following week, Mr H was told that the information he'd been given about needing to

complete and return a postal form hadn't been correct and there was an electronic form on the website that could be completed and processed much more quickly. I think NS&I could have provided a better service to Mr H during the call on 5 September, especially as Mr H made clear that he needed the money for particular spending requirements.

And given the confusion there had been, it was unhelpful when NS&I later sent its standard letter in response to the stopped cheque as it was phrased in terms that didn't reflect the situation here – particularly as Mr H had discussed stopping the cheque during the phone call on 12 September. I think this letter would've likely added to his overall sense of frustration.

For these reasons, given the shortcomings I have identified in the service NS&I provided to Mr H, I am upholding Mr H's complaint.

I appreciate that NS&I feels that these events resulted from Mr H's actions but, on balance, I haven't seen enough evidence to persuade me that it would be fair to hold him responsible for what happened. I understand that the information he provided on his PB2 application was accurate in all key respects and identical to the information NS&I held on his PB1 account, save in one respect only. NS&I has provided information that shows the different details Mr H inputted appear to match a style he uses on a bank account, so I can see why he might have done the same thing on his PB2 application. And I can understand why he might mistakenly not have realised, when he checked, that the £50,000 premium bond limit applied per person and that he couldn't have more than one premium bond account.

I've also taken into account what NS&I has said about what happened on other complaints. But each complaint is looked at on its own merits - I've looked at the circumstances that apply in this particular case and what happened on other cases doesn't change my conclusion here.

Taking everything into account, I consider that NS&I needs to put things right for Mr H.

Mr H was initially concerned that he would incur hefty overdraft costs as a result of not being able to access the money in his premium bonds. In the event, his overdraft costs are pennies only and I haven't identified any other actual financial loss that NS&I should redress.

But fair compensation needs to properly reflect the impact on Mr H of NS&I's poor service on this occasion and I've thought carefully about the extent to which this caused Mr H to suffer detriment. I've listened carefully to the call recordings which bear out the extent to which NS&I's poor handling of matters, as described above, caused Mr H significant distress and inconvenience. And Mr H has mentioned the indignity he suffered not only at going overdrawn for the first time, but at having to go back on his word and '*...feeling like a fool who couldn't put his money where his mouth was*'. That said, I've also kept in mind that it was always open to Mr H to resolve the complaint in the way he did sooner than happened, had he chosen to prioritise getting access to his money.

Taking all this into account, the £125 suggested by the investigator matches the level of award I would make in these circumstances had it not already been proposed. I am satisfied this amount is in line with the amount this service would award in similar situations and it is fair compensation for Mr H in his particular circumstances. '

What the parties said in response to my provisional decision

Mr H said he had nothing further to add and NS&I said it agreed with my findings.

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 both parties for all the information that has been provided about this matter and for responding to my provisional decision. Given that I've not received any further evidence or comment that changes my mind about this complaint, I confirm the conclusions I reached in my provisional decision.

Putting things right

To put things right for Mr H, NS&I should pay Mr H £125 compensation for the impact on him of the service failings I have identified.

My final decision

I uphold this complaint and direct National Savings and Investments to take the steps I've set out above to put things right for Mr H.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 27 September 2023.

Susan Webb
Ombudsman