

## **The complaint**

Mr M is unhappy that TSB Bank plc gave him misleading information about how interest would be applied to his Individual Savings Account (ISA).

## **What happened**

In April 2022, Mr M held an existing fixed rate ISA which was due to mature. He visited his local branch to discuss his options. He explained he wanted to reinvest the funds in another ISA but didn't want a fixed rate.

Mr M says the branch staff suggested that he should open a Save Well Limited Access ISA which was at a variable rate of 0.39% tax free if he didn't make any withdrawals. But if he made a withdrawal, he'd receive a lower rate for that calendar month. He explained that the branch staff confirmed that the interest rate on the account would rise if the Bank of England base rate increased as this was forecasted at the time.

In August 2022, Mr M was checking his accounts and realised that the interest rate on his Save Well Limited Access ISA hadn't risen but TSB were offering a higher rate of 0.99% tax free for new customers. Mr M visited his local branch again. He says the branch staff and manager confirmed again that since his account was a variable rate the interest rate should've risen to 0.99% tax free, so a complaint was raised.

TSB initially told Mr M that they hadn't made a mistake. They explained that the Save Well Limited Access ISA is opened for a fixed term of 12 months and the interest rate of 0.39% tax free will remain on the account for this period. They said that while the terms and conditions refer to the interest rate being variable, and the rate could go up and down. But this was in reference to the rate decreasing for a calendar month if funds were withdrawn from the account and then increasing again the following month as long as no withdrawals were made.

They also clarified that the Save Well Limited Access ISA wasn't a tracker rate which follows the Bank of England base rate. They told Mr M that if he closed his Save Well Limited Access ISA which he could do at any time, he wouldn't be able to open another account until the 12-month term is over.

Mr M remained unhappy and wrote to his branch reiterating the conversations he had with them in April 2022 when he took out the account and then in August 2022 when the complaint was raised.

Following this, TSB wrote to Mr M accepting he was given incorrect information regarding the interest rate on his Save Well Limited Access ISA. They explained they'd spoken to branch staff who'd confirmed he was told that the interest on his Save Well Limited Access ISA was variable and the interest rate on his account would increase if their rates also increased. They told Mr M that the rate on his account wouldn't change, he could either leave the account as it was and continue to earn 0.39% tax free or close the account and move the funds to another account which offers a better return.

They credited Mr M's account with £100 compensation for the distress and inconvenience caused. They acknowledged Mr M may have incurred expenses, so they agreed to review costs such as telephone calls, fuel costs and parking. Mr M closed his Save Well Limited Access ISA and transferred his funds to another provider. He also referred his complaint to our service.

Our investigator said Mr M was given incorrect information in branch when he opened the account. He felt the terms and conditions were misleading since it gave the impression that the interest rate was variable, which meant it could go up or down, but TSB confirmed that the interest rate could go down during a calendar month if a withdrawal was made but wouldn't rise above 0.39% tax free. He recommended TSB pay Mr M an additional £100 compensation for the distress and inconvenience caused. Mr M accepted the investigator's opinion.

The investigator then reconsidered the redress and asked TSB to calculate Mr M's financial loss. He proposed TSB should identify the ISA product that accurately reflected what Mr M wanted to achieve, calculate the interest Mr M would've earned from this product between the date he invested his funds to the date he withdrew from the ISA, and deduct the interest he earned in the same period in his Save Well Limited Access ISA. TSB disagreed and asked for an ombudsman to review the complaint.

### **My provisional decision**

I issued a provisional decision on 20 July 2023, and I made the following findings:

"Firstly, I think it'd be helpful to explain that it's not within my remit to investigate wider banking industry practises on how interest rates work for savers as opposed to borrowers. This is the role of the financial services regulator, The Financial Conduct Authority. In making my decision, I'll only be focusing on the individual circumstances of Mr M's complaint.

I've looked at the terms and conditions of Mr M's account. This explains that the savings interest rate is variable which means it can go up or down any time. The savings account general conditions explain some situations where this might happen, for example changes to the Bank of England base rate. This doesn't mean that the rate *will* go up or down based on the changes to the Bank of England base rate but rather that it could.

I haven't seen anything within the written documents which suggests that the saving interest rate tracks the Bank of England base rate. So, I don't think the terms and conditions are unclear or misleading.

TSB are also within their rights to offer a different rate to customers signing up to their accounts for a fixed term at different times. It follows I don't think they've treated Mr M unfairly by offering a higher rate of 0.99% tax free or a different rate to other customers. Mr M himself has benefited by this as he received a higher rate on the Save Well Limited Access ISA he opened in October 2022.

That said, TSB have already admitted their branch staff gave Mr M incorrect information about how the interest rate applied to his Save Well Limited Access ISA. Mr M says he decided to proceed with opening this particular account on the basis of the information he was provided. I find Mr M's testimony to be persuasive, so I accept he chose to open the Save Well Limited Access ISA based on the incorrect information he was given by branch staff.

I've thought about what Mr M would've done differently if he'd been given the correct information to establish if he has suffered a financial loss. Mr M has told us that he wanted to invest his funds in an ISA, but he didn't want a fixed rate because of the volatile state of the market and the low rates on offer at the time. He also strongly believed the Bank of England base rate was due to increase imminently.

I think it's more likely than not that if Mr M realised that the rate of his ISA wouldn't track the Bank of England base rate, he'd have looked for an account that did. Given the time that's passed, I can't say for certain whether Mr M would've found a product with another provider which met his requirements – a cash ISA which tracked the Bank of England base rate. And even if a product of this nature was available, I can't know for sure the rate Mr M would've been offered.

From my research, there doesn't appear to be many tracker cash ISAs available in the marketplace. So, I'm not convinced Mr M would've had many options for this type of account when he was looking to reinvest his funds in April 2022.

I think it's more likely than not that Mr M would've chosen another provider offering a higher rate on a variable ISA with limited or unlimited access. This would've given him the flexibility to move his funds to other providers offering better rates following any Bank of England base rate changes.

I've had a look at the best rates offered on a comparison site for a variable cash ISA account for a one-month period from 28 April 2022. And the average rate of the top providers appears to be around 0.95% tax free which is significantly higher than the rate of 0.39% tax free offered by TSB.

As explained above, I think Mr M would've likely shopped around if he was given the correct information by TSB, and naturally would've sought to get the best rate possible for his savings. As a result of the incorrect information given by TSB, I'm satisfied Mr M has suffered a financial loss of interest which I think they can be fairly held responsible for.

I think TSB should recalculate the interest rate of the account as if it were 0.95% tax free instead of 0.39% tax free from 28 April 2022 until 16 September 2022 and refund Mr M this amount deducting £97.91 to take into account the interest he earned on his Save Well Limited Access ISA account before it was closed on 16 September 2022.

It also appears TSB have continued to provide Mr M conflicting and contradictory information about how the interest rate applied to his account. TSB's responses to Mr M's complaint suggests that the interest rate on his account couldn't rise above 0.39% tax free for the term of the account. And the variable rate refers to the rate decreasing for a calendar month if funds were withdrawn from the account and then increasing again the following month as long as no withdrawals were made.

However, this isn't my understanding of how the account operates based on the terms and conditions. It clearly explains that the rate is variable which can go up or down at any time – meaning it's not fixed at 0.39% tax free for the term of the account. TSB have also confirmed this within their submissions to our service, so I think they missed a few opportunities to provide Mr M with the correct information.

TSB also told Mr M that if he closed his Save Well Limited Access ISA, he wouldn't be able to open another one until after the 12-month term was over. However, it

appears this information isn't accurate either as I can see Mr M was able to open another Save Well Limited Access ISA in October 2022.

All things considered, I think TSB have given Mr M poor customer service, not least by giving incorrect information in branch about how interest was applied to his account, but also the inconsistent information he was provided after he raised a complaint.

I have no doubt that this matter has caused Mr M unnecessary distress and inconvenience. TSB have acknowledged their error and apologised to Mr M. They've also paid him £100 compensation and offered to cover his expenses.

Taking into account the impact on Mr M, I'm satisfied that the £100 compensation that TSB have already paid is fair and reasonable in the circumstances to recognise the distress and inconvenience he was caused. TSB have also offered to review any expenses Mr M has incurred in addition to the compensation amount, which I don't think they're required to do here. I'll leave it up to Mr M to decide if he wants to make a claim for expenses with TSB directly, as this offer appears to remain open to him.

Overall, I won't be asking TSB to do anything else, apart from reimburse Mr M the loss of interest."

### **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 invited both parties to respond to my provisional decision with any further submissions. TSB didn't respond within the deadline given. Mr M accepted my provisional decision.

Since there aren't any new points or comments from either party, there isn't anything else for me to consider. I'm satisfied with the findings I reached, and I see no reason to deviate from the outcome I explained in my provisional decision.

As a reminder, to put things right, TSB should:

- Recalculate the interest rate on Mr M's account from 28 April to 16 September 2022 at the rate of 0.95% tax free.
- Refund this amount to Mr M deducting £97.91.

### **My final decision**

For the reasons explained, my final decision is that TSB Bank Plc should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 October 2023.

Ash Weedon  
**Ombudsman**