

## **The complaint**

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

## **What happened**

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

Mrs M says the branch staff suggested that she should open a Save Well Limited Access ISA which was at a variable rate of 0.39% tax free if she didn't make any withdrawals. But if she made a withdrawal, she'd receive a lower rate for that calendar month. She 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, Mrs M was checking her accounts and realised that the interest rate on her Save Well Limited Access ISA hadn't risen but TSB were offering a higher rate of 0.99% tax free for new customers. Mrs M visited her local branch again. She says the branch staff and manager confirmed again that since her account was a variable rate the interest rate should've risen to 0.99% tax free, so a complaint was raised.

TSB initially told Mrs 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 But this was in reference to the rate decreasing for a calendar month if funds were withdrawn from the account and then increasing again the following month as long as no withdrawals were made.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 Mrs M that if she closed her Save Well Limited Access ISA which she could do at any time, she wouldn't be able to open another account until the 12-month term is over.

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

Following this, TSB wrote to Mrs M accepting she was given incorrect information regarding the interest rate on her Save Well Limited Access ISA. They explained they'd spoken to branch staff who'd confirmed she was told that the interest on her Save Well Limited Access ISA was variable and the interest rate on her account would increase if their rates also increased. They told Mrs M that the rate on her account wouldn't change, she 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 Mrs M's account with £100 compensation for the distress and inconvenience caused. They acknowledged Mrs M may have incurred expenses, so they agreed to review costs such as telephone calls, fuel costs and parking. Mrs M closed her Save Well Limited Access ISA and transferred her funds to another provider. She also referred her complaint to our service.

Our investigator said Mrs M was given incorrect information in branch when she 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 Mrs M an additional £100 compensation for the distress and inconvenience caused. Mrs M accepted the investigator's opinion.

The investigator then reconsidered the redress and asked TSB to calculate Mrs M's financial loss. He proposed TSB should identify the ISA product that accurately reflected what Mrs M wanted to achieve, calculate the interest Mrs M would've earned from this product between the date she invested her funds to the date she withdrew from the ISA, and deduct the interest she earned in the same period in her 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 practices 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 Mrs M's complaint.

I've looked at the terms and conditions of Mrs 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 Mrs M unfairly by offering a higher rate of 0.99% tax free or a different rate to other customers.

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

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

I think it's more likely than not that if Mrs M realised that the rate of her ISA wouldn't track the Bank of England base rate, she'd have looked for an account that did. Given the time that's passed, I can't say for certain whether Mrs M would've found a product with another provider which met her 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 Mrs 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 Mrs M would've had many options for this type of account when she was looking to reinvest her funds in April 2022.

I think it's more likely than not that Mrs M would've chosen another provider offering a higher rate on a variable ISA with limited or unlimited access. This would've given her the flexibility to move her 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 Mrs M would've likely shopped around if she was given the correct information by TSB, and naturally would've sought to get the best rate possible for her savings. As a result of the incorrect information given by TSB, I'm satisfied Mrs 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 Mrs M this amount deducting £97.78 to take into account the interest she earned on her Save Well Limited Access ISA account before it was closed on 16 September 2022.

It also appears TSB have continued to provide Mrs M conflicting and contradictory information about how the interest rate applied to her account. TSB's responses to Mrs M's complaint suggests that the interest rate on her 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 Mrs M with the correct information.

All things considered, I think TSB have given Mrs M poor customer service, not least by giving incorrect information in branch about how interest was applied to her

account, but also the inconsistent information she was provided after she raised a complaint.

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

Taking into account the impact on Mrs 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 she was caused. TSB have also offered to review any expenses Mrs 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 Mrs M to decide if she wants to make a claim for expenses with TSB directly, as this offer appears to remain open to her.

Overall, I won't be asking TSB to do anything else, apart from reimburse Mrs 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. Mrs 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 Mrs M's account from 28 April to 16 September 2022 at the rate of 0.95% tax free.
- Refund this amount to Mrs M deducting £97.78.

### **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 Mrs M to accept or reject my decision before 3 October 2023.

Ash Weedon  
**Ombudsman**