

The complaint

Mr C complained about JN Bank UK Ltd's delays and broken promise in setting up a savings bond. He wants the interest backdated to his application and for the full 12-month term and compensation for the trouble and distress he has been caused.

What happened

I set out the background to Mr C's complaint in my provisional decision, and here.

On 19 October 2022 Mr C applied online for a 12-month fixed term savings bond at 4.75% with JN Bank. He said he was asked to provide verification and he did so the same day. On 21 October JN Bank told Mr C it couldn't verify his bank account and requested he upload a statement., which he did. Mr C said he then heard nothing and complained on 8 November.

Mr C said he had provided all documents JN Bank requested but his account wasn't set up. He said he spent hours trying to resolve the issue and in his complaint. He wants to be compensated for backdated interest and said JN Bank promised it would do this.

In its initial response JN Bank told Mr C his application wasn't ready to proceed. A week later it promised to backdate the 4.75% interest rate to 22 October if he completed his application within five days. On 4 December Mr C tried to open the account as advised by JN Bank, but discovered that the interest rate had reduced to 4.25%, and he complained again. Mr C then brought his complaint to our service saying that JN Bank were ignoring him.

Our investigator recommended the complaint be upheld in part. He said JN Bank accepted it had got things wrong but still hadn't responded to Mr C about the interest rate that should apply to the account. The investigator said JN Bank should pay 4.75% interest to Mr C on £25,000 from 22 October 2022, for 61 days, and £150 for the inconvenience he suffered. The investigator thought 61 days was a reasonable period in which Mr C could have obtained an account elsewhere.

Mr C disagreed that this represented a fair outcome and requested an ombudsman review his complaint. He said JN Bank had breached its promise to open a 4.75% bond for 12 months and the investigator through being biased, had let the bank off the hook.

JN Bank also responded in July 2023 that it was now willing to pay Mr C 4.75% interest from the application date for 61 days on £85,000 even though Mr C put £25,000 as his investment on the application form. And pay him £150 compensation recommended by the investigator. Mr C said this offer was as irrational as the investigator's view. He said if the ombudsman were to take the same view, he will start legal proceedings against the bank to recover 4.75% interest for the full 12-month term of the bond for breach of promise.

In August 2023, I issued a provisional decision for this complaint and explained why I was minded to uphold Mr C's complaint as follows; -

'Mr C's application to JN Bank for a savings bond appears to have stalled over the recognition of his funding bank account, though it's not clear why this was a problem. But

when this was resolved, JN Bank failed to tell Mr C he could proceed to fund the bond account and he was left waiting.

JN Bank accepted it caused delays in the handling of Mr C's application and agreed to pay backdated interest at 4.75% on £25,000 from 22 October 2022 provided the bond was funded by 5 December 2022. However, when Mr C attempted to open the bond with £85,000 on 4 December 2022, he discovered the interest rate had reduced to 4.25%. Mr C didn't want to proceed on the basis of the lower interest rate, and I can understand why he felt JN Bank hadn't honoured its commitment to him.

Neither Mr C nor ourselves could gain an explanation from JN Bank as to the change of rate. But JN Bank has lately responded by offering to backdate Mr C's investment of £85,000 for 61 days at the 4.75% rate. The investigator thought Mr C could have mitigated his losses during this period and he thought JN Bank's offer was fair. However, by the time JN Bank made the offer nine months had elapsed since Mr C's application for the bond and so he rejected this offer.

Generally, we would expect consumers to mitigate their losses, which in Mr C's case would have meant funding the account at 4.25% whilst seeking the higher rate, or taking out an alternative investment. Mr C told us he didn't invest elsewhere as the funds had to remain liquid as he expected JN Bank to honour the backdated interest on the bond and he couldn't achieve the same interest rate elsewhere.

JN Bank's commitment to Mr C to honour the original 4.75% interest rate wasn't time limited and hadn't been revoked, but the bank didn't say why it had lowered the interest rate previously promised. I think Mr C was left with an unfulfilled commitment about the interest rate and an unanswered complaint, and he didn't know how best to react to this.

Although this means that Mr C didn't fund the account, or make alternative investment arrangements I don't think this was his fault as I don't think there was a point when he should reasonably have decided that this was the course that he needed to follow. He clearly intended to invest his sum for the 12-month period set by the product, and he was left waiting for the bond to begin. JN Bank should have responded to his email of 5 December 2022 about the reduced interest rate and because it didn't, I am minded to require it to set up the bond for the full 12-month period from 22 October 2022 on receipt of payment from Mr C.

Having said this, we have to be certain about any interest Mr C may have earned on his lump sum so as to avoid overcompensation from JN Bank. This means we need to see evidence of where Mr C's investment sum was deposited since October 2022 and any interest that he earned or will earn over this period, including from a flexible savings account.

Mr C says JN Bank 'were on express notice of my intention to fund the account with that amount' (£85,000). Although JN Bank latterly offered to pay interest at 4.75% on £85,000 it has always maintained that Mr C applied for the investment for £25,000. For me to decide what sum the interest should be based on, Mr C should provide proof of the communication of his intended investment from before his attempted funding on 4 December 2022 and JN Bank should provide us with a copy of Mr C's application for the account.

JN Bank's customer service failings have caused Mr C a degree of frustration, lost time and uncertainty about his financial arrangements. I currently think the compensation of £150 it has now agreed to pay is a reasonable reflection of this.'

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.

JN Bank hasn't provided any further information in response to my provisional decision.

Mr C rejected my provisional decision. He said JN Bank's promise of the savings bond only required completion of its application form, which was blocked on its website. He said JN Bank's terms allowed funding up to £100,000 and on 5 December 2022 he provided notice of his intention to pay in £85,000 within the time limit of 19 December 2022 the bank had provided. He said this was why JN Bank increased its compensation to cover interest on £85,000.

Mr C said that in its email of 30 November 2022 JN Bank guaranteed 4.75% for the duration of the 12-month term on completion of the savings application. And stated, 'should you wish to proceed and complete the remaining steps of your application within the next 5 days the interest will be accumulated from 22/10/2022 to the date you fund your new savings account.' He said these were 'promises in exchange for an act'.

He said JN Bank's promises about the savings bond available to him were in exchange for an act, that he complete the remaining steps of his application. But up until 4 December 2022 he couldn't access his application on JN Bank's website. So JN Bank's promise merely required Mr C to go through to the end of the application. He said funding was separate from completing the remaining steps of the application. With the deadline for completing the remaining steps of the application being within 5 days of 30 November 2022 so by 5 December 2022.

I understand Mr C's point to be that JN Bank was committed to providing the savings account he applied for. JN Bank's commitment to Mr C to honour the original 4.75% interest rate wasn't time limited and hadn't been revoked and I have said that I think it was fair and reasonable for the bank to provide the account to Mr C on the basis offered. The only remaining disagreement is the quantum of the investment on which compensatory interest should be paid. Mr C wants interest that would have accrued on his intended investment of £85,000, not the £25,000 he stated as his likely investment of his initial application to JN Bank in October 2022.

I think Mr C's points concerning 'promises in exchange for an act' are an indication that he thinks there was a contractual commitment for JN Bank to offer him the account at £85,000, or that it was estopped from not doing so. I think Mr C's application for the account represented the offer here and that was never accepted by JN Bank. I'm not convinced there is a legal requirement on the bank to provide the account, but in any event we don't give legal opinions in our decisions. Our remit is to decide a complaint on the basis of what we consider to be fair and reasonable in all the circumstances and that is what I've attempted to do here.

Mr C says that JN Bank's offer to compensate his interest on the sum of £85,000 at the higher rate (albeit for only 61 days) was made because he had given notice of his intention to apply for the account in the sum of £85,000 within the time limit provided. I think JN Bank's offer was an attempt to informally resolve the complaint by means of a compromise settlement and falls some way short of an acknowledgement of Mr C's entitlement to interest on this sum for the whole 12 months. JN Bank has consistently stated that Mr C applied for the account in the sum of £25,000 and gave an example of the backdated interest based on Mr C's intention to invest £25,000 if those funds were deposited 'by 5 December 2022'.

For the reasons Mr C has given about not being able to complete his application and then indicating the much higher investment before 19 December 2022, he didn't fund the savings bond. I think it's fair that Mr C be compensated interest from the date JN Bank promised to backdate interest (22 October 2022). The only information about Mr C's intended investment at this time is from his initial application which is the £25,000 sum he recorded. Mr C said he couldn't find an investment to match the 4.75% JN Bank had offered, and I remain of the

view that it wouldn't be fair to JN Bank to require it to pay interest on the sum of £85,000 subsequently indicated by Mr C as part of his complaint.

I requested Mr C provide evidence of any interest he may have earned on his lump sum, so as to avoid overcompensation from JN Bank. I said that I needed to see evidence of where Mr C's investment sum was deposited since October 2022 and any interest that he earned or will earn over this period, including from a flexible savings account. Mr C hasn't responded on this point and so I have nothing with which to calculate the interest I think he should be fairly awarded.

Mr C said dealing with JN Bank took a lot more of his time than it should, and he is seeking £350 compensation for this and his trouble and distress. I can see that he had to spend time on trying unsuccessfully to get a response from JN Bank and I think he suffered a lot of frustration about the lack of response to his communications and delay, and so on reflection I think fair compensation for his distress and inconvenience would be £250.

In all the circumstances, I've concluded that the provisional decision provides a fair and reasonable outcome to the issue of the interest payable to Mr C. Mr C said if this was the case he would pursue legal action against the bank. He should note that by rejecting this decision it will be of no legal effect and he will be free to do so.

My final decision

For the reasons given here I uphold this complaint. If Mr C decides to accept this decision, I require JN Bank UK Ltd to open the 12-month fixed term savings bond that should have been opened for Mr C on 22 October 2022 at the original rate of 4.75% interest. This should be funded by Mr C at the amount he notified to the bank before 4 December 2022, namely £25,000 and to run for the original 12-month term.

Any compensatory interest payable by JN Bank Ltd should be reduced by the interest earned by Mr C during the period on his investment sum and he should provide the bank with this information, or evidence of the sum's non-investment.

I also require JN Bank Ltd to pay Mr C £250 compensation as a reflection of the trouble and inconvenience he has been put to by its poor customer service.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 October 2023.

Andrew Fraser
Ombudsman