

The complaint

Mr and Mrs W complain that Market Harborough Building Society (MHBS) didn't give effect to their instructions to transfer the proceeds of a maturing bond to another fixed rate bond attracting interest of 2.75%. Instead, the proceeds were invested in line with the default option – an account attracting 0.25%.

What happened

Mr and Mrs W held around £170,000 in a 2 year fixed rate bond with MHBS. The bond was due to mature on 31 March 2022, and they were contacted by MHBS before maturity in order for them to decide where they wanted the matured funds to be transferred.

Mr and Mrs W called MHBS on 21 March 2022 to discuss the matter and were taken through the online form they needed to complete in order to provide their instructions properly. In short they were looking for the proceeds of the bond to be transferred to another bond attracting interest of 1.76% (bond 87).

During this call MHBS explained step by step to Mr and Mrs W what they needed to do based on their election – which was to transfer to another bond. They talked through what Mr and Mrs W were seeing on the screen, and confirmed the details with Mr and Mrs W – including the bond they wanted to reinvest in, and the amount ('reinvest all'). They confirmed each step in the application over the phone.

At the end of the process, Mr and Mrs W reached the summary screen which set out where the money was going to be re-invested. When the advisor asked them to click continue, however, nothing happened. Mr W explained that nothing was happening, and it became apparent they'd omitted to tick the box saying they'd read the terms – which they did. But when clicking 'continue' again, Mr W clearly explained that he was seeing an error – he told the advisor he saw a message that said 'reinvestment option has not been selected'. The advisor explains to Mr W what he needed to select in the dropdown box again where he needed to select 'reinvest all'. Mr W did this as instructed, and ticked the box which said he had read and accepted the terms and conditions. Having completed this screen correctly, Mr W eventually reached a screen that gave him the summary of his instructions – to which the advisor explained he needed to click continue.

At this point Mr W said he could see a button saying 'send authorisation request' – and the advisor instructed him to press that. Mr W read out the next message 'authorisation' and then the next button 'refresh' and asked the advisor whether this meant it had gone through. The advisor said 'that's the one', and instructed him to press refresh which he did. The advisor then confirmed 'that's all completed for you'. Unfortunately for Mr and Mrs W, the instructions were not properly received by MHBS and so on maturity, the funds were transferred to the default account, attracting a much lower rate of interest. So they complained.

I issued a provisional decision in August 2023. In it I said:

The key issue in this case is the phone call of 21 March 2022 and whether or not a valid

instruction was provided at that point in time. Whilst I note what MHBS has said about that call, I fundamentally disagree.

At minute 12.03 of that phone call it's very clear that Mr W explains that he had seen an error message, and describes the message he was seeing. The advisor talks him through that page again, and asks him to select once more the appropriate dropdown, which he does. At that point he explains each screen he sees, including the 'send authorisation request' screen – I'm satisfied he was clearly reading what he was seeing on the screen, and the advisor appeared satisfied that he was moving correctly through the application. At the point he receives confirmation of the authorisation, the advisor confirms that this had all been completed.

Bearing in mind the above, I'm therefore satisfied that as far as Mr and Mrs W were concerned, they had provided a valid instruction to MHBS – and they were entitled to expect that instruction to be executed on their behalf. In my view, whatever issue subsequently happened with that instruction, it isn't something Mr and Mrs W ought to bear the financial consequences of. I say this because I'm not persuaded it had anything to do with something they did or didn't do. For those reasons, I'm satisfied that Mr and Mrs W ought to be compensated.

And that compensation ought to be the interest they would've received had their instruction been executed correctly – from the point the funds would've been transferred to the date of their complaint. I've chosen the date of their complaint as the end date because at that point, they would've been able to take action with these funds and decide where else to invest them.

It's also clear to me that this matter has caused them understandable inconvenience – as well as the distress of being told it was their fault for not submitting the instructions properly, when in reality they had followed to the letter what the advisor had told them to do.

I'm satisfied that an award of £150 each is fair and reasonable compensation for that distress.

MHBS did not respond to my provisional decision. Mr and Mrs W accepted my findings, but said that they were investing in a bond paying 2.75%, not 1.76% as I said in my provisional decision. They asked that I reconsider my award in light 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.

Neither party has disputed my provisional findings, and therefore I confirm them as final. Mr and Mrs W have however queried the interest I'm awarding. They've said they were investing in a bond paying 2.75% and so compensation should be calculated with reference to that.

However, I'm sorry to disappoint Mr and Mrs W, I cannot find any evidence that such a bond was available to them in March 2022.

The maturity letter dated 16 March 2022 offers the option of reinvesting in Fixed Term Bond 87 paying 1.76% annual interest. And in their call on 21 March 2022, at around the 9min 30 second mark the adviser says, in relation to which bond Mr W had to choose:

'Did it say bond 87?' to which Mr W replies 'yes bond 87'. The adviser then clarifies 'I think that's interest rate 1.76%' and Mr W says 'yeah'. The adviser then recaps the terms of the bond – 2 year fixed at an interest rate of 1.76%.

The only reference I can see to an account paying 2.75% is in MHBS's final response letter dated 5 September 2022. However, this simply makes reference to accounts available at that time, and not the bond that Mr and Mrs W were looking to reinvest in earlier in the year. It wouldn't be fair to use a rate that was available in September 2022, but not available in March 2022 as a benchmark. Therefore I'm satisfied that if MHBS had correctly dealt with their instructions, they would've been invested in bond 87 paying 1.76%, and that's what I award.

Putting things right

Therefore, in order to put things right, Market Harborough Building Society must pay compensation. It must:

- Calculate how much interest Mr and Mrs W's money would've earned had it been reinvested, in line with their instructions, in Fixed Term Bond 87 paying 1.76%.
- It must use the 1 April 2022 as the start date and 22 August 2022 as the end date for that calculation, this being the date of Mr and Mrs W's complaint.
- It can deduct the 0.25% interest it paid Mr and Mrs W during that period, this being the default interest it was applying to this money. If it did not pay this interest to Mr and Mrs W it must not make this deduction.
- It must pay Mr W £150 and Mrs W £150 for the distress and inconvenience its actions have caused them.

My final decision

My final decision is that I uphold Mr and Mrs W's complaint. Market Harborough Building Society must pay the compensation I've set out above within 28 days of when we tell it Mr and Mrs W have accepted this final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 16 October 2023.

Alessandro Pulzone
Ombudsman