

The complaint

Mr and Mrs R complain about how Paragon Bank Plc dealt with an account application.

What happened

Mr and Mrs R applied for a joint account with Paragon in November 2022. They say there were a number of problems with the process. In summary they say the account wasn't opened correctly, Mrs R's cheque was rejected, and they travelled to a nearby town to find out what happened. Mr and Mrs R would like compensation and for the lost interest to be repaid.

Paragon accept making mistakes with the application. It says the account was meant to be a sole account, but the application included Mrs R. Paragon says Mrs R's second cheque was rejected by her building society and its terms and conditions say it will not pay interest in these circumstances. It has offered £50 compensation for the poor service.

Mr and Mrs R brought their complaint to us, and our investigator upheld the complaint. The investigator recommended Paragon pay £250 for the lost interest on the £50,000 deposit and pay £250 compensation for what took place. The investigator thought the problems with the second cheque wouldn't have occurred if Paragon had opened the account correctly in the first place,

Mr and Mrs R accept that view, but Paragon doesn't. It says it doesn't award interest in these circumstances and in any event the money didn't leave Mrs R's other account. Paragon has offered a further £50 compensation.

My provisional decision

I issued a provisional decision about this complaint and said I had reached the provisional view that I intended to uphold this complaint but thought the fairest approach was for Paragon to pay Mr and Mrs R £200 compensation each. I didn't think it possible to be sure what the exact interest loss was without knowing if any interest was paid on the accounts that the money was sent from. And thought it difficult to calculate the exact loss in any event. I thought the fairest approach was to include an allowance for the interest loss within the compensation payment.

I was satisfied that overall Paragon ought to have dealt with, what should have been, a straightforward matter of, opening a new joint account for Mr and Mrs R far more effectively. I thought it difficult to follow what Paragon was saying about the mistakes here or potential mistakes as its position was confusing at best. For example, I could see that it suggested the problem may have been caused by a joint application but later says it ought to have opened a joint account. I made clear I couldn't see why that issue should have caused any issue as the application document clearly said Mr and Mrs R wanted a joint savings account.

I was satisfied that if the joint account had been opened correctly then Mrs R's second cheque wouldn't have been rejected. And I could see that Mr and Mrs R were incorrectly told at one point that Paragon hadn't received the application or cheques. So, I had no doubt Mr

and Mrs R were caused inconvenience in dealing with Paragon and would have been concerned to know what was happening. I accepted that on one occasion Mr R was so concerned about what took place he travelled to a local town to try and find out what was happening at his building society.

I was also satisfied that it took some time for matters to resolve. It appears that it took about a month for a resolution which of course meant for at least some of that time Mr and Mrs R, through no fault of theirs, were unable to earn interest on their savings or unable to earn what they wished to earn with Paragon. I made clear that during that time period Mr and Mrs R would have been concerned about what was happening and made calls to Paragon causing further inconvenience and distress.

I said the main issue for me to consider was the compensation level as Paragon accepts it made mistakes. I couldn't see what relevance the extract from its account terms and conditions had about interest and thought it appeared to relate to returning money due to an inability to verify identity. I was satisfied Mr and Mrs R were both individually caused distress and inconvenience and that matters took about a month to resolve. I also thought they would have been concerned about the safety of their savings and there was likely to have been some loss of interest on the money which I made clear was difficult to calculate exactly.

So, I thought the fairest approach was to direct Paragon to pay Mr and Mrs R £200 compensation each which I thought was fair and reasonable and fairly considered the impact on them and made some allowance for their inability to invest the money elsewhere at that time or the loss of interest. I could see that Mr and Mrs R hadn't cashed the cheque for £50 which I said, no doubt can be cancelled.

Paragon doesn't accept my view and says there were mistakes on both sides. It says £100 compensation each would be appropriate.

Mr and Mrs R also don't accept my view and say they were given incorrect advice about the second cheque. They say they lost about £281 in 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.

Having done so I have come to the same overall view that I reached in my provisional decision and for exactly the same reasons. I don't consider £100 compensation fair and reasonable as Paragon suggests for each person, but neither can I be sure what is the exact interest loss is without information I do not have, such as how long the account ought to have taken to open.

Putting things right

Paragon should pay Mr and Mrs R £200 compensation each in total and no doubt the previous cheques for compensation can be cancelled.

My final decision

My final decision is that I uphold this complaint in part and order Paragon Bank Plc to pay Mr and Mrs R £200 compensation each making a total of £400 in total.

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

David Singh
Ombudsman