

The complaint

Mr F is unhappy that he encountered difficulty when attempting to fund an ISA he held with Skipton Building Society from a saving account he held with another building society.

What happened

Mr F's complaint involves an attempted transfer between two building societies. The recipient building society was Skipton Building Society, against which this complaint is directed, and which I'll refer to as 'SBS'. The other building society, from which Mr F wanted to make the transfer, I'll refer to as 'XBS'.

To briefly summarise: Mr F instructed XBS to transfer money to SBS to fund the ISA he held with SBS. However, XBS explained to Mr F that they couldn't make the transfer because the SBS account details he'd provided weren't in his name. Rather, the SBS account was held in the name of SBS itself, with the sort-code and account number being used by all account holders and with personal account numbers, specific to each individual account holder, being included in transfers as payment reference numbers and then being used by SBS to distinguish which account movements belonged to which account holders.

This led to a lot of back and forth for Mr F with SBS and ultimately to Mr F raising a complaint with them, as he was dissatisfied that SBS couldn't liaise with XBS and arrange for the transfer of money into his SBS ISA as he wanted.

SBS responded to Mr F and explained that they didn't have anything in their systems that prevented his ISA from receiving money from any UK based financial institution. SBS also reiterated that payment could be made into Mr F's SBS account using the sort-code and account number for the SBS named account along with Mr F's specific account number as a payment reference number. Mr F wasn't satisfied with SBS's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that SBS had acted unfairly in how they'd managed the situation and so didn't uphold the complaint. Mr F remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

I also note that Mr F has provided several submissions to this service regarding his complaint. I'd like to thank Mr F for these submissions, and I hope he doesn't consider it a discourtesy that I won't be responding in similar detail here. Instead, I've focussed on what I consider to be the key aspects of this complaint, in line with this service's role as an informal dispute resolution service.

This means that if Mr F notes that I haven't addressed a specific point he's raised, it shouldn't be taken from this that I haven't considered that point – I can confirm that I've read and considered all the submissions provided by both Mr F and SBS. Rather, it should be taken that I have considered that point but that I don't feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.

In his ongoing correspondence with this service, Mr F has reiterated that his main point of complaint – the point about which he remains unhappy – is that SBS are using a 'third-party' system, whereby money is received into an account in the name of SBS itself and not into an account in the name of Mr F. Alternatively, XBS operates a 'first-party' system, whereby XBS can only make transfers to accounts held in the name of their account holder (i.e. Mr F) and can't make payments to 'third-party' accounts, such as the account in the name of SBS.

Mr F is correct that SBS do operate in the third-party manner that Mr F describes. But the fact that SBS do operate in such a manner is a commercial decision which I'm satisfied that SBS are entitled to make. And I note that such third-party accounts aren't uncommon, with credit card companies commonly operating in such a manner.

Additionally, it isn't SBS's fault that XBS have restrictions on the types of account that they can make transfers to. Although, I must also note that it's for XBS to choose how they operate, in the same way as it's for SBS to choose how they operate.

In this instance, the restrictions XBS have in place regarding the types of accounts they can transfer money to means that it simply isn't possible to directly transfer money from Mr F's XBS savings account to his SBS ISA. This is clearly unfortunate, and I don't doubt it has caused Mr F some trouble and frustration. But it doesn't necessarily follow that because Mr F has experienced some trouble and frustration here that he's been treated unfairly or that an unfair act has occurred. Instead, I feel that it's just an unfortunate consequence of the nature of the two building societies involved.

Ultimately, I'm satisfied that SBS are entitled to choose to operate a third-party system - as Mr F describes it. And I'm also satisfied that it isn't SBS's fault that XBS have chosen (as they are themselves entitled to do) to operate in a manner which makes direct transfers from Mr F's XBS account to SBS impossible. And because of this I'm consequently satisfied that Mr F being unable to make a direct transfer from his XBS account to his SBS ISA is unfortunate for Mr F – but isn't something that I would consider to be unfair.

Mr F has said that SBS should stop using a third-party system so that institutions such as XBS, which can only make payments to first-person named accounts, can make payments to them. Or that SBS should contact all financial institutions that can only make payments to first-person accounts and arrange a mutually agreed solution to this problem with them.

However, as explained, it isn't for Mr F to tell SBS how it should operate. Rather, it's for SBS to choose how it operates. And given the inability for Mr F to have made a direct transfer between the accounts, I feel it was for Mr F to have arranged an indirect transfer, which I note was what eventually took place following the issuance of a cheque for the intended transfer amount by XBS.

All of which means that I don't feel that SBS have done anything wrong or acted unfairly here, and it follows from this that I won't be upholding this complaint against them. This is because, as explained, I feel that the fact that a direct transfer can't be made from Mr F's XBS account to SBS is an unfortunate – but not an unfair – consequence of the operational structures of those accounts.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 11 March 2024.

Paul Cooper
Ombudsman