

## **The complaint**

Mr J complains that National Savings and Investments ("NS&I") returned a large payment into his Income Bond from a third party. Mr J said he couldn't have known beforehand that the payment would be rejected, and he wanted NS&I to pay the interest he'd missed out on.

## **What happened**

Mr J said he made a payment to his NS&I income bond, which he thought should have been accepted. But it wasn't, it was returned to the sender. Mr J said this was a very large sum of money, so the eight days of interest that he'd lost out on, added up to £430.27. He wanted NS&I to pay that, and the second CHAPS fee of £30 he had to pay to transfer the money again, as a minimum. He said this had been very stressful for him, not knowing where his money was, so he suggested NS&I should also pay compensation for that.

NS&I said it returned the payment because it didn't come from an account in Mr J's own name. It told us that the rules of the account had always been that payments had to come from a bank account in held in the same name as the NS&I account. But NS&I said the rules on this hadn't previously been strictly enforced, so Mr J may have been able to make payments from a different account in the past.

NS&I pointed to the part of its website which told Mr J payments had to come from his account. It said Mr J hadn't made any payments into this account for many years, so it thought he should have checked before he sent the payment. And it said that the payment made from a third party account was returned there promptly. It didn't think the loss of interest was its fault.

Mr J said he had previously paid in funds which didn't come from his account. And he said he had checked. He showed our service a screenshot from within his own account, giving bank details for payments into the bond. This didn't mention payments needing to be made from the account holder's own account. He also said he couldn't see the requirement to pay from the holder's own account in his terms and conditions for this bond.

Mr J said the first payment was made on 17 April, and returned. He showed us that the funds then reached his bond on 26 April, but he said they should have reached his bond on 18 April. So Mr J still thought NS&I should pay for interest he'd lost in the intervening period.

NS&I paid Mr J £30, because it said the previous terms of the bond hadn't set out clearly that payments needed to be from an account in the holder's own name. But it didn't think this was a change to those terms, it just said this had previously been unclear, now it was clear. The terms were updated before Mr J made his payment, and were available on its website.

NS&I wouldn't pay more, so Mr J asked our service to look into this for him.

Our investigator thought this complaint should be upheld, as NS&I had accepted third party payments in the past, and it also accepted its previous documentation was unclear on this point. So he said NS&I should pay Mr J £50, which he thought would cover missed interest.

Mr J said our investigator had made a mistake over the amount of the payment. The lost interest was around £430, not £43. Our investigator still thought NS&I should pay the lost interest, now at £430.72, and an extra £50 compensation for any distress caused.

NS&I said that wasn't fair. It said that Mr J's payment was returned to the sender within two working days, so lost interest would be £103.95. and it said it did still think Mr J should have checked the payment details. It said it would have expected Mr J to check, given how long it was since he'd previously made any payment, and the size of the transfer.

Our investigator noted that he hadn't found it as easy as NS&I said, to find the information about making payments on its website. He asked Mr J whether he'd called before the transfer, and Mr J said no, he'd just checked the website. Mr J said he had called after, however, and he wanted us to listen to a call on 19 April, when he said he was told the third party payment would reach his bond.

Our investigator asked NS&I for this call, and it sent it to us. NS&I said Mr J had last paid money into his bond in 2016, and he'd never made a bank transfer like this one before, so NS&I still thought Mr J should have called. NS&I said it had listened to the call on 19 April, and it could hear that Mr J had been given wrong advice on that call. But it said that Mr J had called twice the day before, and been given correct information on each of those calls.

NS&I said it would offer £100 more, because of the incorrect information it gave Mr J on 19 April. But it didn't think it should have to pay more than this. Mr J didn't want to accept that. Because no agreement was reached, this case came to me for a final decision. And I then reached my provisional decision on this case.

### **My provisional decision**

I issued a provisional decision on this complaint and explained why I proposed to uphold it in part. This is what I said then:

Mr J has told us he did check on NS&I's website before he made this payment. He's shown us what he could see about making payments onto his bond, once he was logged in to his own account. That doesn't contain the high profile warning about payments needing to come from a bank account in the bond holder's own name, which NS&I said was visible elsewhere. I think it was reasonable for Mr J to check this from within his own account.

Mr J showed us the terms he had for his bond, which didn't offer the same prominent warning. NS&I says that it's always been part of the terms of this bond, that payments can't be taken from a third party. It has accepted this wasn't as clear previously.

I can see that the information Mr J needed, telling him that third party payments weren't accepted, was available to Mr J on NS&I's website. But I think that, in the circumstances of this case, including that Mr J had previously benefitted from third party payments into his bond, that the terms he held weren't clear on this point (although NS&I said its policy was the same when those were issued) and that the payment information provided from within his own account didn't warn him of this when providing payment details, it wasn't unreasonable for Mr J to think a third party payment would be accepted.

For that reason, I do think NS&I has to pay Mr J some missed interest. But I don't think it has to pay Mr J as much as he'd like. I think NS&I has to pay for two days of lost interest at the rate earned on Mr J's bond, on an amount of £680,000

NS&I says two days of lost interest is £103.95. But that doesn't appear to me to quite match with the interest Mr J was expecting. So my award will be for two days of lost interest, and I'll ask NS&I to set out the rate of interest payable on Mr J's bond for 18 and 19 April 2023, and to calculate the interest which would have been earned on those two days, if Mr J's deposit of £680,000 had been received.

NS&I has shown us it returned the payment promptly, on 19 April. Mr J accepts the third party had the funds back by that afternoon. But he said there was then a delay in transferring the funds over to his account. Mr J says that if NS&I hadn't given the wrong information, that delay wouldn't have happened. But it's equally possible to say that if this third party hadn't been away from the office, this delay also would not have occurred. I don't think it's NS&I's fault that Mr J didn't have these funds right away after they were returned, and I don't think it has to pay for any interest lost after it had returned the payment to where it was sent.

I do think NS&I has provided Mr J with some poor service in this case. Mr J didn't find it easy to locate the information he needed on transfers, and he was given wrong advice on one of the three calls he made to NS&I, when he was told the third party payment would be accepted. However, I note that on the two calls prior to this, Mr J was given correct information. And on the second of those two calls, he had been directed to written confirmation of the position on NS&I's website, and provided with an explanation of why this was.

So I think NS&I should pay Mr J some compensation, in addition to the payment of £103.95 in interest. I think a total compensation payment of £100 would provide a fair and reasonable outcome to this complaint. NS&I has already paid £30 in compensation to Mr J, so my provisional decision would require it to pay £70 more in compensation, as well as £103.95 in interest. My provisional view is that this would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

### **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.

NS&I said it had now realised it had made a mistake over the interest rate. It said that the interest rate on Mr J's bond at the time was 3.4%, and it sent us evidence to support this. So two days of interest on the amount he wanted to pay in was £126.68. NS&I said it would pay that, plus a £100 compensation payment, making a total of £226.68.

Mr J replied, saying he wanted to question my decision to award only two days of lost interest. He said the money was returned to the sender on day three, and after the cut-off time for making large bank transfers. So he didn't have the money at that point, and it couldn't be sent to him that day. Mr J said the money needed to be paid to him, then further transferred on to an interest paying account. So he said that in a best case scenario, he had lost at least four days of interest, or six if we allowed for Saturday as a non-working day.

Mr J said if I disagreed, he would like me to explain why I'd reached a different conclusion. I'm happy to do so.

I think the mistake made here, was that NS&I wasn't sufficiently clear for Mr J to have understood (in his particular circumstances) that a third party payment wouldn't be accepted.

That should have been clear. If it had been clear, however, the money would still have needed to be paid out by this third party, to Mr J. I don't think NS&I is responsible for paying interest for the time that it took to transfer money between the third party and Mr J, because I don't think NS&I was in any way responsible for the money being with a third party in the first place, and even if NS&I had got everything right, that transfer still needed to be done.

But the problem here is that Mr J didn't realise that he couldn't make a third party payment into his bond. So he tried to get the third party to pay this money straight into his bond. That, I think, caused two days of missed interest, when, instead of receiving the money and paying it into his bond, NS&I instead rejected the payment and returned it.

Mr J told us the payment was made on 17 April, and NS&I has shown us it was returned before 1pm on 19 April. I know Mr J says this payment was received so late, that this day was also lost. But given that it was sent in good time, I don't think it's NS&I's responsibility if the payment wasn't received and acknowledged by the third party until much later that day.

For those reasons, I haven't changed my mind. I still think a payment of two days of interest at the rate then payable on Mr J's bond account, plus £100 in compensation, does provide a fair and reasonable outcome to this complaint. I'll now make the decision I originally proposed.

### **My final decision**

My final decision is that National Savings and Investments must pay Mr J the additional interest which Mr J would have received on his income bond, if the balance on 18 and 19 April 2023 only, had been increased by £680,000.

HM Revenue and Customs requires National Savings and Investments to take off tax from this interest. National Savings and Investments must give Mr J a certificate showing how much tax it's taken off if he asks for one.

I also intend to tell National Savings and Investments to pay Mr J £70 more in compensation, in addition to the £30 it has already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 15 February 2024.

Esther Absalom-Gough

**Ombudsman**