

The complaint

Mrs B complains National Savings and Investments (NS&I) let her invest more than the £50,000 limit for Premium Bonds (PBs). She also complains NS&I deducted £175 from the £4,000 over payment which it paid back, due to ineligible winnings on these bonds.

What happened

The circumstances that led to this complaint are well known by both parties and are mostly not in dispute, so I won't repeat them in detail, but in summary:

Between January 2001 and August 2021, Mrs B made various payments to NS&I for PBs totalling £54,000 across three separate holder numbers in her name. The dates and amounts are not in dispute.

NS&I explained Mrs B was able to buy more PBs than her £50,000 limit because the first three applications for PBs between 2001 and 2008 were under three separate holder numbers.

NS&I have explained there were small differences in the applications which meant it did not realise these first three applications were for the same person, and so new holder numbers were created for the second and third applications.

NS&I realised the issue in March 2023 during a sweep of their records, and wrote to Mrs B explaining the situation. NS&I paid Mrs B back £3,825, this was £4,000 minus three prizes she had won with these bonds totalling £175. NS&I also took steps to combine Mrs B's PBs under one holder number.

Mrs B said she was shocked to receive the letter stating she had more PBs than she should have, as she might have won a significant amount of money only to have it taken away later.

Mrs B explained she didn't believe she was responsible for this error and thinks NS&I should have had more robust systems in place to stop this happening. She also complained she had lost out on potentially investing this £4,000 elsewhere during the previous two years. She said she wanted the £175 back, the interest she could have obtained if she had invested the £4,000 elsewhere, and compensation.

Our investigator initially said she did not think NS&I acted unfairly. She explained NS&I wouldn't have been aware Mrs B was over her limit until it reviewed its records. Our investigator also said she didn't think Mrs B was unaware she had a holding over her limit as she had confirmed she regularly checked the three separate holdings using prize checker. In response to our investigator's views, Mrs B said she was adamant she did not know she had gone over her £50,000 limit. Mrs B said she thought all applications, other than the first one, were made online and linked to the initial account. She explained she thought this would mean the details placed on the accounts would have been identical and it would have been impossible for her or her husband to have entered different information which would have resulted in NS&I creating new holder details.

NS&I provided a hand-written application form for the £3,000 purchase dated 6 July 2008 (the third purchase of PBs). This form did not include the holder's number in section 2. NS&I were unable to provide a copy of the second purchase of £25,000 PBs in April 2008, but said it was likely this purchase did not have a holder's number either, which is why NS&I created new holder numbers for these second and third purchases.

Our investigator thought it wasn't clear who was responsible for completing these application forms and whether Mrs B needed to detail any previous account holding numbers. She also thought it wasn't clear in two letters Mrs B received in 2021, how much she held in PBs. Our investigator recommended NS&I pay Mrs B £100 compensation for the distress and inconvenience she experienced.

Mrs B confirmed payment of £100 compensation would conclude the matter for her.

NS&I did not agree, it said Mrs B knew she had holding over £50,000 and explained Mrs B had said she regularly used prize checker for all three of her holder numbers. In response, NS&I pointed out one holder number alone had the £50,000 maximum in it.

NS&I said it was clear on the application form customers should fill in their holder number. They also said they did not think the account letters sent to Mrs B were unclear, explaining these letters showed she had at least two holdings, one with £50,000 and one with £3,000.

NS&I did not agree with our investigator's recommendations and asked for an Ombudsman to consider the complaint.

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.

Whilst I appreciate much of this complaint is about the process which allowed Mrs B to go over her allowance limit, I am conscious I need to establish two points in response to Mrs B's complaint. Firstly, whether NS&I did anything wrong that allowed Mrs B to purchase more bonds than she was entitled to, and secondly whether it acted appropriately in establishing Mrs B was over her limit and the actions it took after this.

It is clear Mrs B should not have had three holder numbers and I have firstly considered how this happened and whether NS&I made a mistake.

NS&I have explained this issue occurred because Mrs B did not provide her holder number when she purchased her second and third additional bonds, meaning new holder numbers were set up for these purchases. I can see the hand-written application made in July 2008 did not contain a holder number, meaning NS&I regarded these purchases as initial 'new' purchases for a new bond holder.

NS&I also said slight differences in these applications, such as slight variations in the address, meant its systems did not recognise these purchases were for the same customer. NS&I explained unless there is a precise match of details, it would not match portfolios. NS&I also explained date of birth was not a required field in 2001, when Mrs B bought her first bonds and was given her first holder number, which again led to the applications not being matched.

To be clear, how businesses choose to operate and the systems and processes they have in place is not something we consider as part of a complaint, these are matters for the regulator, the Financial Conduct Authority.

I am satisfied NS&I have explained how the issues occurred. I also balance this against NS&I making it clear in advertising material, terms and conditions and online that personal PB limits are £50,000. Mrs B has also confirmed she knew the limit was £50,000.

The fact that Mrs B held three different holder numbers was not an issue until she purchased more PBs than her £50,000 limit.

Mrs B has confirmed she and her husband regularly checked via prize-checker to see if she had won. I therefore think it ought to have been reasonably clear she held PBs over and above the £50,000 limit. I am persuaded of this view because one holder number alone held the maximum amount of £50,000.

And so, whilst I understand how Mrs B went over her limit in 2021, I do not find NS&I acted incorrectly in these circumstances. I would also add I do think there is a responsibility on customers to ensure they do not go over their £50,000 limit.

I will now consider the actions taken by NS&I after they discovered Mrs B was holding Premium Bonds over her £50,000 limit. This happened when Mrs B purchased £10,000 worth of PBs in August 2021.

I can see Mrs B exceeded the limit for about two years before NS&I realised. As she was not entitled to hold these extra bonds, it was entirely fair and reasonable for NS&I to write to Mrs B and explain they would have to pay the £4,000 back to her. I do not think this is in dispute, Mrs B is not claiming she should be allowed to hold the extra bonds.

I find it logical and entirely reasonable and fair NS&I deducted the prizes won by these £4,000 ineligible bonds, I also think NS&I set out clearly in their letter which bonds were affected. Other holders should have won these three prizes, and I understand these prizes have since been redistributed to eligible PB holders.

In regard to Mrs B being out of pocket due to the interest she could have earned, for the reasons I have described above, I think she ought to have known she had exceeded her limit and was in the best position to take action and withdraw funds over her limit at any point.

I do not find NS&I did anything wrong once they became aware of the extra bonds Mrs B held.

Regarding the shock Mrs B describes, she says this was mainly because of the thought she could have won a significant amount of money, only to have to pay it back. The facts are Mrs B won a small amount of money which was covered by the ineligible bonds. Our service does not consider redress for what might have happened.

However, having said all of the above, there remain one element for which I am persuaded I should award compensation.

I am concerned it took NS&I a significant period of time to undertake a sweep and realise the issues with Mrs B's holdings. It cannot be unusual for holders to submit applications with minor details that differ from past applications and this must be something that NS&I has to address. I can appreciate the distress this caused Mrs B. Whilst I do think there were opportunities where Mrs B ought to have known and taken action, I do have some sympathy that this error was not discovered by NS&I for a significant period and I can see how this caused some distress to Mrs B in receiving a letter she was not expecting.

For this reason alone, I will partially uphold the complaint.

My final decision

For the reasons outlined above, it is my final decision that I partly uphold this complaint. I require National Savings and Investments to pay Mrs B £100 compensation, it does not need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 16 April 2024.

Gareth Jones
Ombudsman