

The complaint

Mr S complains that he should be able to close his fixed rate bond with Santander UK Plc (Santander).

What happened

Mr S opened a three-year fixed rate bond in January 2022, and the maturity date is 1 February 2025. The interest rate is 0.7% per annum.

On 16 May 2023, Santander wrote to him with revised terms and conditions for savings accounts. The cover summary said *"we're making changes to the terms and conditions for all our current and savings accounts....these changes will happen automatically on 31 July 2023. If you're happy with them, then there's nothing for you to do...if you're not happy with them, you can close your account and end your agreement with us with no charge....(if so) please get in touch with us before 31 July 2023..."*

Mr S then wrote to Santander on 26 May 2023 to say he was considering closing his fixed rate bond and referred to the bank's letter. Santander replied and said fixed rate bonds are fixed rate 'investments' and his bond didn't mature until February 2025. A bond can only be closed in exceptional circumstances.

Mr S complained. He said the new terms and conditions didn't distinguish between fixed rate bonds and other savings accounts. They didn't exclude fixed rate bonds – and so he said he could close his fixed rate bond without penalty. He said Santander should:

- Allow him to close the fixed rate bond early.
- He doesn't require any compensation in a spirit of goodwill and compromise.
- But he does want compensation for loss of interest since 31 July 2023.

Santander issued two final responses. On 15 June 2023, the bank said the revised General Terms and Conditions related to savings accounts such as Cash ISAs and they didn't reflect Mr S' fixed rate bond, which can only be closed in exceptional circumstances. On 4 July 2023, Santander wrote again and said the cover letter sent to Mr S said *"You can still close your account after 31 July 2023, but the changes will apply. Your right to close an account without charge does not apply if you have a Fixed Term Deposit Account because this account cannot be closed before the end of the fixed term."*

Mr S brought his complaint to us. Our investigator didn't uphold it. She said that the revised terms and conditions didn't include fixed rate bonds, although the cover letter was vague as it should've listed all types of accounts it was referring to. She said Mr S was aware of the terms of the fixed rate bond when he signed up to it – as he has told us.

Mr S didn't agree and asked that an ombudsman look at his complaint. He said it was clear that a fixed rate bond was not an investment product, but a savings account – and all savings accounts were subject to the revised terms and conditions.

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.

Mr S argues that the correspondence sent by Santander about changes to the general terms and conditions to their savings accounts gives him the right to close his fixed rate deposit early.

I looked at the correspondence and new terms and condition sent by Santander on 16 May 2023. The cover letter says the updated terms "*affect our General Terms & Conditions for Banking and Savings, including cash ISAs and junior ISAs and Key Facts Documents. We've attached more information.*"

The new terms then say "*These changes will happen automatically on 31 July 2023. If you're happy with them, then there's nothing for you to do – you can keep using your account as normal. If you're not happy with them, you can close your account and end your agreement with us with no charge.*"

Mr S says he doesn't accept the new terms and therefore can close his fixed rate deposit earlier than its intended maturity date of February 2025.

But – I can see that the revised terms don't mention fixed rate deposits at all. And I then looked at the Key Facts document dated January 2022 – which were in operation when Mr S opened the fixed rate deposit. These are headed "*Fixed Rate Bonds*" and say...."*Can I withdraw money?... No, withdrawals and closures aren't permitted during the fixed term.*"

The Key Facts go on :"*Withdrawals and closures aren't permitted during the fixed term, however these may be considered in exceptional circumstances.*" The exceptional circumstances are – the death of the account holder.

So – my decision comes down to which document holds sway – the Key Facts document (dated January 2022), or the revised general terms and conditions (as sent to Mr S in May 2023).

And here, I think it's reasonable to consider that the Key Facts document – as sent to Mr S when he opened the fixed rate deposit – is the important one. I also noted that the Key Facts document said: "*These Specific Terms and Conditions apply in addition to our General Terms and Conditions. Where there are differences, it's these Specific Terms and Conditions that apply.*"

In other words – Santander say that the Fixed Rate Key Facts document is the important one and overrides any general terms - and it is the Key Facts terms that apply. And that makes sense – as it is specific to the product and was in place at the time the fixed deposit was established. And as I have said, the Key Facts document say the fixed deposit cannot be closed early.

It's also reasonable to say that it's general industry practice, and understood by consumers – that a fixed rate deposit cannot be closed earlier than the original fixed term.

So, while I hear what Mr S has said, and appreciate the points he's made, my decision is that on balance, I do not uphold this complaint.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 April 2024.

Martin Lord
Ombudsman