

## **The complaint**

Mrs E complains that Paragon Bank Plc ('Paragon') didn't do enough to prevent her transferring funds from an ISA to a non ISA, and then didn't resolve this matter for her when she brought it to Paragon's attention.

Mrs E is being represented in bringing this complaint but, for ease, I will refer to all actions and comments as those of Mrs E.

## **What happened**

Mrs E had a cash ISA with Paragon. On 12 January 2023, Mrs E logged into her Paragon account online and transferred the funds from her Easy Access ISA into what she thought was a Paragon one year fixed rate ISA. But the funds had, in fact, been transferred to a one year fixed rate bond, and not an ISA.

Mrs E checked the account on 4 April 2023 and realised what had happened. She sent a message to Paragon on the same day and asked for the error to be rectified.

Paragon responded on 6 April 2023 and said as the account was opened back in January 2023, it was unable to reverse the transaction.

Mrs E complained to Paragon and said there weren't adequate warnings before the fund transfer to let her know she was moving funds out of an ISA into a normal savings bond. She thought Paragon should have been able to reverse the transfer when she contacted it on 4 April 2023.

Paragon responded to Mrs E's complaint and said it was stated during the application process that the new account was a bond and not an ISA. It also said it sent Mrs E a message on the day the funds were transferred and the new account opened, that showed the account was not an ISA. It said Mrs E had full autonomy over her account.

Paragon told Mrs E it had a duty to correct errors if they were brought to it in a timely manner. But it said almost three months had passed before it was notified in this instance, and as it was one business day before the end of the tax year, it was unable to process the request to move the funds back into an ISA.

Mrs E remained unhappy and so brought her complaint to this Service. She said the ISA funds were her pension, and the ISA contained funds that had accumulated in other ISAs over a number of years, so she had lost the tax benefits of the ISA wrapper. Mrs E felt there should have been safeguards in place at the application stage to prevent situations like this arising.

Our Investigator didn't uphold Mrs E's complaint. He said that Paragon indicated that numerous warnings would have alerted Mrs E that the funds were leaving the ISA wrapper before the transfer was completed. Our Investigator said it seemed Mrs E made a genuine mistake and if Paragon had been notified sooner than the day before the end of the tax year, it might have been able to assist more.

Mrs E did not agree with what our Investigator said, so this came to me for a 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.

I have a great deal of sympathy for Mrs E and the situation she finds herself in. I've no doubt she genuinely thought she was transferring her funds to another ISA. She feels not enough was done by Paragon to warn her, at the application stage, that she was removing funds from an ISA and putting them into a non ISA. And, given the tax implications, she feels this should have been done. The position she's in now is that Paragon has said it can't transfer the funds back into the ISA.

My role is to look at whether Paragon has made any errors here in terms of the transfer and the actions it took when Mrs E contacted it in April 2023.

It's important to note that Paragon played no part in the transfer itself – this was done online by Mrs E. But I take on board what Mrs E said about Paragon having a responsibility to let her know that she was moving funds out of an ISA, given the tax implications. So I've considered how information was presented during the online application process.

Paragon has provided this Service with screenshots that I'm satisfied show its products are clearly labelled. For instance, a 1 year fixed rate ISA is clearly labelled as such, while the savings account is listed as a 1 year fixed rate savings account. The application screenshots Paragon has sent show that the account being applied for wasn't an ISA.

It also provided a screenshot of the message that would have been sent to Mrs E following the transfer, which points her to the general and product terms and conditions of the new account. This message doesn't specify the type of account that had just been opened, but the terms and conditions, which I think are concise and easy to understand, would have alerted Mrs E to the fact that she had opened a savings account and not an ISA. I'm mindful that in order to progress the application Mrs E had to tick a box indicating she had read these terms.

So I think it's fair to say that the information Mrs E was presented with at the time she opened the savings account and moved the funds from her ISA, indicated she wasn't moving her funds to another ISA, but to a savings account.

I know that Mrs E felt there should have been a warning specifically saying she was removing funds permanently from an ISA. Paragon has provided screenshots showing that a warning appears online when funds are being transferred from a fixed rate cash ISA. But this warning is about a penalty that might be applied if funds are moved prior to the maturity date of the ISA. I can't see that any warning is provided about the funds being permanently moved out of an ISA.

But although the warning Mrs E feels should have appeared online wasn't there, I'm satisfied that given all of the other information available to Mrs E at the application stage, outlined above, it's fair to say that Paragon had done enough to let Mrs E know what type of account she was moving her money to. So I don't think Paragon has made any errors in relation to how it presented information during the application stage.

The next question I've looked at is whether Paragon could have done more to action the request made by Mrs E on 4 April 2023. My understanding is that Paragon would perhaps

have looked sympathetically at Mrs E's request to undo the transfer if it had known about the error sooner. And any action to reverse the removal of the funds from the ISA would have needed to be taken prior to the financial year end, so by 5 April 2023.

I would certainly expect a business to respond to queries in a timely manner, and I think Paragon did just that here, as it responded two days after the message was sent. I realise this was too late for it to be able to take action to reverse the transaction, but I wouldn't expect Paragon to be able to pick up and respond to secure messages immediately, as it needs a reasonable amount of time to deal with queries raised.

As I said, I have a great deal of sympathy for Mrs E, but Paragon's hands are tied and it's my understanding that it cannot, after the relevant tax year has ended, reverse a transaction out of the ISA account.

So although I know my decision will disappoint Mrs E, I am not asking Paragon to take any further action here.

### **My final decision**

I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 26 March 2024.

Martina Ryan  
**Ombudsman**