

The complaint

Mr S complains that Paragon Bank Plc has unreasonably delayed the transfer of his ISA. He also feels Paragon has provided a poor level of customer service; Mr S considers the compensation it paid him of £35 is insufficient in the circumstances.

What happened

Mr S held an existing stocks and shares ISA with Hargreaves Lansdown and a fixed-rate investment bond with Paragon.

On 28 July 2023, Mr S sought a postal application pack from Paragon, to transfer his stocks and shares ISA into a cash ISA. On speaking with a call handler, Mr S was informed that though the pack would include a cash ISA transfer form (as transferring from one cash ISA to another was the usual process), he would be required to complete a separate stocks and shares ISA transfer form.

At the time of the call, Paragon agreed an interest rate of 5.32% per annum for the new cash ISA, which was guaranteed for 28 days. It said it would open an ISA account for Mr S within five days of receipt of the completed ISA transfer form.

The application pack was sent the same day, and the stocks and shares ISA form the following week, on 4 August 2023. By that time, the offered interest rate had increased to 5.75%.

On 10 August 2023, Paragon received a completed cash ISA transfer form from Mr S, and it set an account up for him four days later. Accordingly, a transfer request was made to Hargreaves Lansdown – for a cash ISA – as this was the form that Mr S sent to Paragon.

On 25 August 2023, Mr S called Paragon to ask about the progress of the transfer, as it was yet to complete. The call handler explained that the transfer request had been made on 14 August 2023 but Hargreaves Lansdown hadn't responded. After Mr S clarified that the ISA he held with Hargreaves Lansdown was a stocks and shares ISA, it was noted that a cash ISA transfer request had been made – based on the incorrect form supplied to Paragon.

Mr S said he felt Paragon ought to have noticed the issue. He said he had called it previously for help with the Hargreaves Lansdown account sort code and the issue with the type of ISA should have been identified then. Paragon's call handler explained that Paragon did not use sort codes to undergo transfers and it wouldn't have been apparent from that query alone that Mr S was referring to a stocks and shares ISA rather than a cash ISA.

Mr S thereafter complained. Paragon told Mr S it would call him back, but it did not do so. On 29 August 2023, Mr S called Paragon again and received a further call back later that day where he was informed that the complaint had not yet been investigated. Mr S explained his frustrations that he had been waiting since 14 August 2023 for receipt of his ISA transfer.

On 31 August 2023, Hargreaves Lansdown contacted Paragon to confirm it had refused the transfer.

On 1 September 2023, Mr S supplied Paragon with the correct stocks and shares ISA transfer form.

On 3 September 2023, Paragon sent the stocks and shares ISA transfer request to Hargreaves Lansdown. By that time, the interest rate for cash ISAs had decreased to 5.55% (as of 25 August 2023).

On 8 September 2023, Paragon called Mr S regarding the transfer, but he was not able to proceed with the call. On that day, the cash ISA interest rate increased to 5.82%.

On 11 September 2023, Mr S called Paragon. A discrepancy was discussed regarding Mr S's national insurance number – which had been different on the stocks and shares ISA form than the one Paragon had on its system. Paragon's call handler therefore sent Mr S a fresh form to complete that same day, though it later transpired that the duplicate form wasn't needed as Mr S provided the correct national insurance details during the call.

On 13 September 2023, Paragon provided a final response letter to Mr S's complaint. It said it was not able to agree that it had sent the wrong form to Mr S from the outset. Its call handler had explained how an additional stocks and shares ISA form would be sent in addition to the cash ISA postal pack. However, it did accept that the process had caused Mr S confusion, and led to him completing and returning the wrong form. It had also given confusing information about establishing the correct national insurance number during the call of 11 September 2023. So Paragon enclosed a cheque for £35 as an apology for the upset the confusion had caused.

Mr S thereafter referred his complaint to this service. He remained unhappy that the transfer still hadn't completed and he felt that he should receive more than £35 in compensation.

On 15 September 2023, Paragon's cash ISA interest rate decreased back down to 5.55%.

On 29 September 2023, Paragon received the ISA transfer funds from Hargreaves Lansdown, and accordingly commenced Mr S's cash ISA with the current interest rate of 5.55% per annum. Mr S said he felt he should have received a rate of 5.75%, because the interest rate offered by Paragon for cash ISAs had increased again in early September 2023.

An investigator from this service reviewed the complaint but he did not think it should succeed. He said it was unfortunate that Paragon received an incorrect form from Mr S on 10 August 2023, but he was satisfied that Paragon had explained that it required the stocks and shares ISA form to Mr S during the call of 28 July 2023, not the cash ISA form.

He understood that Mr S felt Paragon ought to have known that he was looking to transfer out of a stocks and shares ISA (and therefore the incorrect form was filled out), because Hargreaves Lansdown deals with investments but it also offered cash ISAs, so he did not think Paragon was at fault for not immediately identifying that Mr S used the wrong form.

Our investigator otherwise believed Paragon had acted within the Government guidance timescale of 30 days to complete the transfer. It received the correct stocks and shares ISA transfer form on 1 September 2023 and completed the transfer on 29 September 2023.

Finally, our investigator considered that Mr S felt Paragon had provided a poor level of customer service. However, on reviewing the calls that took place between Paragon and Mr S, he did not agree that Paragon had acted unreasonably. His view was that Paragon's call handlers had behaved fairly and were helpful when trying to resolve matters for Mr S.

Paragon didn't have any further comments to make.

Mr S explained that whilst he had no additional submissions to be considered, he wanted his complaint to be passed to an ombudsman – as he did not agree with the outcome reached by our investigator.

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 reviewed the evidence from both parties carefully, I do not believe that this complaint should succeed. I realise this won't be what Mr S has hoped for. However, I agree with the outcome reached by our investigator, for principally the same reasons.

Like our investigator before me, I haven't seen or heard any objective evidence that Paragon behaved unfairly or was unprofessional in its dealing with Mr S.

Similarly, I do not believe Mr S has suffered any financial loss - as suggested. At the first instance of requesting the postal pack for the transfer, the interest rate was 5.32%. This rate guarantee expired on 25 August 2023 – 28 days from the offer. The rate guarantee expiring was not the fault of Paragon. It duly sent Mr S's completed transfer form to Hargreaves Lansdown, without realising Mr S had completed the wrong form.

Paragon wasn't to know the correct details for Mr S's existing holding. It was incumbent on him to provide accurate information to facilitate the transfer; sadly as he did not do so, Hargreaves Lansdown rejected it. Accordingly, the rate offer expired. So, once the correct information was received and completed with Hargreaves Lansdown, Paragon correctly applied the prevailing interest rate on the completion date - which by this time was 5.55%.

That the interest rate increased and decreased during the period before the transfer completed does not mean Mr S suffered a financial loss – he was never offered a rate of 5.75% or 5.82%. His offer (which was agreed on 28 July 2023) was for 5.32% but that expired. Therefore, in accordance with its procedure, Paragon was able to use the rate as at the day it received the funds from Hargreaves Lansdown. The offered interest rate on that day was 5.55%. Mr S has not suffered any loss, given the new rate was higher, and immediately applied on receipt of funds (which were not previously delayed as Hargreaves Lansdown did not accept the first request).

I recognise Mr S feels matters were unduly prolonged by Paragon. However, I am also mindful of both industry guidance and the applicable terms and conditions which required transfers of this type to be completed within 30 calendar days. And Paragon met that requirement – after receiving the correct information from Mr S on 1 September 2023 regarding his existing stocks and shares ISA, the new ISA was correctly set up by the end of that month.

So, it follows that I cannot agree with Mr S that the timescale was too long. It is unfortunate that he mistakenly supplied the incorrect form to Paragon in the first instance, but I agree that Paragon reasonably explained why it had to send the second separate form to Mr S – as the transfer was not a usual like-for-like ISA transfer. That being said, Paragon has accepted that the confusion led to Mr S completing the wrong form along with further confusion regarding the national insurance number. So, it has offered Mr S some compensation for that.

At this service, we will consider if a business has treated a complainant unfairly because of

actions or inactions. And if it has done so, we then go on to consider what ought to be done to put the mistake(s) right. In this case, Paragon accepts that issuing two forms to Mr S – though unavoidable because of the nature of his request – did cause some minor confusion for him along with the need for a further call regarding the national insurance number.

As well as putting right any financial losses in a complaint (though there are none in this circumstance), we also consider the emotional or practical impact of any errors on a complainant. In doing so, we do not fine or punish businesses. It may be helpful for Mr S to review to the guidance available on our website around the amounts and types of awards made in instances of upset, trouble, inconvenience and distress caused by businesses in the complaints we see at this service.

I have considered if the sum paid to him as compensation was fair – and I believe it was. Taking into account the impact of the error, I believe the payment Paragon made to Mr S of £35 was reasonable in the circumstances. It is the type of award applicable in a one-off incident or occurrence – such as a small administrative error. In this case, Paragon did not make a mistake in sending two forms; but nonetheless, Mr S found this confusing and he completed the wrong form. Paragon has therefore apologised and paid Mr S some compensation for the impact of that process. In my view, the amount Paragon paid was appropriate for the confusion and disruption caused by an administrative issue of this nature.

My final decision

I do not believe Paragon Bank Plc ought to do anything further to resolve this complaint; it has already paid fair compensation and otherwise completed Mr S's ISA transfer at the correct interest rate and within a reasonable timeframe.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 April 2024.

Jo Storey
Ombudsman