

The complaint

Mr B complains about the service he received from Clydesdale Bank Plc trading as Virgin Money following the transfer of his ISA to another provider.

What happened

Mr B held an ISA with Virgin Money. It was a flexible cash ISA and Mr B had immediate access to his money with the ability to withdraw and replace cash without the replacement counting towards his annual subscription limit. In 2023 he asked Virgin Money to transfer his ISA to a third-party provider which I'll call F. Virgin Money completed the transfer and closed his account.

But, immediately after the transfer, Mr B realised there hadn't been as much money in the account as he'd thought. That's because he'd withdrawn some funds but not replaced them. He says he could have paid another £1,100 into the Virgin Money account without exceeding his subscription limit. The effect of the transfer was that he lost £1,100 of unused allowance for that year. So, he wanted to cancel the transfer. He thought he would be able to do so within a 14-day cancellation period.

Mr B called Virgin Money and asked if it could re-open his account with the same account number and sort code. Virgin Money said that wasn't possible and Mr B would need to apply for a new account. Mr B said he'd like to put the money back and explained that he'd lost some of his ISA allowance as outlined above. He asked if the transfer could be changed to a partial transfer, but the agent said that wasn't possible. Mr B asked if there was anything else that could be done and said he was still within 14 days of the transfer date. The agent said there was no way of reversing what had happened, and that Mr B would have lost the ISA status on any withdrawn funds which hadn't been replaced at the point of transfer.

Mr B said he thought he had time to change his mind about the transfer, but the agent said there was nothing in Virgin Money's terms and conditions about cancellation of an ISA transfer. Mr B asked if he needed to contact F to tell them he had changed his mind. But the agent said no, the transfer had gone through, so they had no way of reversing it. They said the only thing they could do was raise a complaint if Mr B was unhappy with the process.

So, Mr B raised a complaint with Virgin Money. As part of the complaint, he said he hadn't realised his account would be closed as a result of the transfer. He also asked for a solution as to how he could make up his unused ISA allowance.

Virgin Money didn't uphold the complaint. It said it hadn't made a mistake by closing Mr B's account. As the account was closed, it said there was nowhere for any returned funds to go, so the transfer couldn't be reversed or changed to a partial transfer. Virgin Money said that, if the account was still active and open, a reversal would be possible within a 14-day period.

Following further contact from Mr B, Virgin Money wrote to him again. It said that, if F offered a 14-day cooling off period, Virgin Money would accept the return of the funds. It said that F would have to provide the details and suggested that F get in touch with its ISA team. But by this time the 14-day cooling off period had expired, so Mr B said it was too late to follow this

suggestion. He said he would have been able to arrange for F to contact Virgin Money if Virgin Money had told him this at the outset.

Mr B referred the complaint to this service. He said that, due to incorrect advice from Virgin Money, he missed the chance to reverse the ISA transfer and lost some of his ISA allowance. He wanted Virgin Money to address this and pay him compensation for the distress and inconvenience caused.

I issued a provisional decision on 28 February 2024 indicating my intention to uphold the complaint. Mr B said he didn't have any further comments and Virgin Money accepted my provisional findings. I'm now making a final decision about 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.

The parties accepted my provisional findings and I haven't seen anything which has changed my mind about the appropriate outcome here. So, I'm going to uphold this complaint as indicated in my provisional decision. My reasons are set out again below.

Mr B thought he could cancel the ISA transfer within a 14-day cooling off period. Virgin Money says that the cooling off period in its terms and conditions only applies when an account is first opened. It doesn't apply to later activity such as transferring funds out of the account. I find that to be the case. So, the terms and conditions of Mr B's Virgin Money account didn't help him here.

But F offered a cooling off period which allowed Mr B to change his mind within 14 days of the transfer-in. F's terms and conditions say that, if Mr B closes his account within this period, the balance (together with any interest earned) will be repaid to his previous ISA provider. So, the transfer could have been reversed under F's cooling off period. F would have needed to initiate the reversal. But Virgin Money has confirmed that it would have accepted the funds back. So, the transfer could have been reversed within 14 days.

Virgin Money told Mr B at the time that this wasn't possible. It has since confirmed that it would have had to open a new account to receive the funds as Mr B's original account had been closed. So - on the specific issue of whether Mr B's original account (with the same account number and sort code) could be re-opened – I find that Virgin Money was correct in telling Mr B this wasn't possible.

But, in the context of Mr B's wider conversation with Virgin Money's agent and the subsequent complaint investigation, I find that Virgin Money gave Mr B incorrect information. Although he had initially asked about re-opening the same account, it was clear from the call that Mr B's main concern was to reverse the ISA transfer. He wanted to put his ISA in the position it would have been in if the transfer hadn't happened, allowing him to replace funds up to his full allowance. This was possible but Virgin Money said it wasn't.

Mr B mentioned a 14-day period. Virgin Money was correct in saying its own terms and conditions don't offer this in relation to the transfer-out of an ISA. But Mr B wasn't necessarily referring to Virgin Money's own cooling off period. He specifically asked whether he should contact F and was told no. I wouldn't expect Virgin Money to know the details of F's cancellation policy and it's not the role of Virgin Money to advise Mr B about another provider's approach. But I think Virgin Money ought to have been aware of the possibility of funds being returned under a new provider's cancellation policy. And I'd expect it to refer Mr B to his new provider to check their cancellation policy, rather than simply saying the

situation was irreversible. It's unfortunate that the agent didn't check with the ISA team at the time as it's likely Mr B would have been pointed in the right direction if this had happened.

At the complaint stage, Mr B was again advised incorrectly. It was only when Virgin Money involved its ISA team that it confirmed it would honour a return of funds by F. I think Virgin Money should have been able to tell Mr B this much earlier. But it didn't check with the ISA team until later and only after Mr B queried the final response letter. By this time, it was too late for Mr B to cancel the account with F.

I've thought about whether Mr B should have contacted F after the transfer. He says he didn't do this because Virgin Money told him it couldn't accept the funds back. Having listened to Mr B's call to Virgin Money, I think it was reasonable for him to think there was no point in contacting F. He specifically asked whether to do so and was told no. He was told that the transfer couldn't be reversed and that any funds withdrawn from the account before the transfer had lost their ISA status. I think it was reasonable for Mr B to assume that what Virgin Money told him was correct.

After the complaint was referred to this service, Virgin Money confirmed that it would have paid any returned funds into a new account for Mr B rather than re-open his old account. I asked Virgin Money about the effect of this. It confirmed that, despite being paid into a new account, Mr B's funds would have retained their original ISA status as though the transfer-out had never happened. This is in line with Government guidance on the transfer process.

This means that Mr B's allowance would have been unaffected if the transfer had been cancelled within F's cooling off period. So, Mr B would have been able to pay in replacement funds without his subscription limit being affected (subject to F providing details of any subscriptions or withdrawals).

I think Mr B would have done this if he'd known it was possible. He's worse off as a result of the transfer to F as he lost some of his allowance. I think this loss would have been avoided if Virgin Money had given him the correct information at the outset; that is, that it would accept funds returned by F during any cooling off period offered by F and that his ISA status would be unaffected by this.

Having said that, I don't think Virgin Money is entirely to blame for Mr B's loss. That's because it was Mr B's own responsibility to keep track of his funds and I think he ought to have checked how much money was in his account before initiating the transfer. I've also borne in mind that, even if Virgin Money had given Mr B the correct information at the outset, it wouldn't have been Virgin Money who controlled the return of the funds. It would have fallen to F to initiate the cancellation and return, on Mr B's instructions.

But Mr B ought to have been able to rely on what Virgin Money told him. Not only did it give him wrong information, but it reiterated this when responding to the complaint. And, when Mr B queried this in light of the information from its ISA team, Virgin Money maintained that its response to the complaint was appropriate. This was a missed opportunity to put things right and meant that Mr B had to pursue the complaint through this service.

I think the fair resolution would be for Virgin Money to pay some compensation to Mr B. I think £200 would be a fair amount to reflect the impact of Virgin Money's mistakes. I realise Mr B has spent a lot of time dealing with this complaint, but we don't generally award compensation for specific units of a complainant's time. Instead, I've considered the overall impact that spending this time had on Mr B and this is reflected in my proposed award.

My final decision

For the reasons above, I uphold this complaint. Clydesdale Bank Plc trading as Virgin Money should pay compensation of £200 to Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 April 2024.

Katy Kidd
Ombudsman