

The complaint

Ms H complains that Coventry Building Society (CBS) paid the interest from her ISA into another account of hers so that it was credited on the next, rather than the same, working day. This caused her to lose interest and she believes this to be an unfair contractual term.

What happened

Ms H opened a fixed rate ISA online in January 2023. She requested that CBS pay interest annually into an account she held with another Building Society. In July 2023 she complained to CBS that the interest payments wouldn't reach that account until the next business day. CBS explained that this was included in the terms and conditions which Ms H had accepted when she opened the account. In August 2023 she changed the frequency to monthly. CBS transferred Ms H's ISA interest payments for August and September 2023 on the earliest business banking day after the end of the month. Ms H instructed CBS in September 2023 to transfer the monthly interest to a CBS savings account, which continued after that date.

Ms H complained that this was an unfair term and that she lost out on being able to earn interest, for the days over the year when interest was paid late. She felt that she should be able to transfer her ISA to another provider without a penalty (a penalty of 180 days interest normally being payable in her case).

CBS said that Ms H agreed the terms of the ISA when she applied for it. Those terms said that for one off payments to other accounts the interest will leave the account on the next business banking day. So it wouldn't be paying her extra interest nor would it agree to her transferring the ISA without penalty.

On referral to the Financial Ombudsman Service our Investigator said that CBS acted within its terms and conditions and did not think that it had delayed in making any payments to Ms H.

The matter has been passed to me for an Ombudsman's consideration.

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.

Ms H has referred to the Consumer Duty. That only applies from 31 July 2023 and she made a complaint about the interest payment initially in July 2023. CBS addressed this complaint so Ms H was aware of its position before the Consumer Duty came into effect. Nevertheless as far as they are relevant while I've taken into account the other legislation and banking regulations Ms H quotes, overall I have considered what is fair and reasonable in Ms H's particular case.

I'm aware that Ms H had complaints about the actual interest rates applied by CBS, and I should clarify that I'm considering here only the complaint about CBS delaying the payments

of interest.

CBS has quoted its terms and conditions which refer to “*one off payments*” and which states that payments to an account with another UK bank/building society will leave the account at the latest, on the next Business Banking Day following (the customer’s) request. Strictly speaking this wasn’t a one off payment, but it set out the situation for external payments, in my view.

By CBS paying interest in the way that it has, I think it’s important to set out that there was no loss of interest. Interest was calculated to and paid out on the last day of the month. If the interest was received into the other account on a subsequent day then the most that will be lost would be one or two days interest on that interest payment. Ms H has mentioned a figure of around £0.20. From September 2023 the interest payments have been paid into Ms H’s savings account with CBS and credited the same day.

I’ve considered whether CBS acted fairly. It has explained to us that: “*We inform customers that the funds will be there by close of business that day as we can’t guarantee the processing timescales once received. These are dependent on the UK bank/Building Society who have received the funds as to when they then credit them to the customer’s account.*”

As the payments were being made between Building Societies I think CBS’s position is reasonable and that it can only safely say that payments will be received the next business day as it can’t guarantee that a payment will be received on the same day.

So I think that CBS has acted fairly, and that any perceived loss was minimal.

My final decision

I don’t uphold the complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms H to accept or reject my decision before 19 April 2024.

Ray Lawley
Ombudsman