

The complaint

Mr D complains that Financial Administration Services Limited, trading as Fidelity, didn't transfer the interest on his cash balance when he transferred his ISA to a new provider. He says Fidelity didn't communicate with him, which caused him upset and inconvenience, and that he lost the tax-free status of the interest he received.

What happened

Mr D had a stocks and shares ISA with Fidelity. In or around October 2022, he sold his holdings and kept the proceeds as cash in his ISA. Around a year later, he opened a cash ISA with another provider, who I'll refer to as "S". He gave authority to S for it to transfer his Fidelity ISA and Fidelity received that instruction on 13 October 2023. The balance in his account was transferred on 16 October 2023.

But when Mr D received his October statement from Fidelity, it showed a balance of £70.77, with, he says, no explanation. He phoned Fidelity who explained interest had been credited to his account and that it would send it to S to be added to his ISA account. But he says the same thing happened in November when £39.63 was credited to his Fidelity ISA.

In brief summary, further phone calls took place and Mr D raised a complaint. He decided to withdraw the money to his current account to put an end to the matter.

Fidelity said its ISA transfer process means that any cash added to an account after the transfer, such as dividends or interest, are handled by its residual payment process. It sent a cheque to S for the interest that had been received, but S returned it saying it didn't accept residual payments. Fidelity said that in these circumstances it would have credited Mr D's bank account, so he would have lost the tax-free status of these residual payments in any event.

In January 2024, after he'd referred his complaint to us, Mr D told us he'd received a cheque from Fidelity for £0.04, with no explanation.

Our investigator didn't recommend that the complaint should be upheld. He said, in summary, that:

- it wasn't unusual for further income to be received after a transfer had been completed and that it was common practice for these residual amounts to be sent to the new provider as they arrive.
- He thought Fidelity had given Mr D incorrect information – it told him the money would be transferred to S, but S didn't accept residual payments. But Fidelity wasn't aware S couldn't accept the payments and he didn't think this wrong information had caused Mr D any financial detriment.
- He understood Mr D's frustration that Fidelity couldn't calculate the interest differently to avoid this situation but said he couldn't tell Fidelity how to run its business.

- Fidelity transferred the ISA within a few days of receiving the instruction, and within the government guideline of 30 days.
- Whilst Fidelity's call notes show Mr D was offered £50 for the distress and inconvenience caused, when it conducted a full review of his complaint, it didn't think any compensation was due. The investigator was satisfied with this response.
- The cheque for £0.04 probably reflects the interest received for November 2023.

Mr D didn't agree. He said, in summary, that:

- A transfer should include the capital sum and any interest due.
- The government guideline for an ISA transfer is 30 days, but his took around 90 days.
- Fidelity failed to keep him informed throughout the whole transfer.

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 done so, I find I have come to the same conclusion as the investigator for the following reasons:

When a stocks and shares ISA is transferred, it's not uncommon for additional income, such as dividend payments and cash interest to be received after the transfer of the account balance has been completed.

The government guideline is that a stocks and shares ISA should be transferred within 30 days. I'm satisfied that Fidelity met this timescale – it received Mr D's instruction on 13 October 2023 and completed the transfer three days later, on 16 October. I don't find that any income credited to the account after the transfer has been completed needs to be transferred within that original 30-day guideline. That's because the ISA provider generally has no control over the date(s) this additional income is received.

Mr D's stocks and shares ISA consisted of a cash balance only. Fidelity transferred the cash balance in the account on 16 October 2023. It's explained that interest accrues on any cash balances it holds, and that the interest is calculated on 21st of each month, or the next business day after 21st. I fully understand Mr D's point that, had Fidelity calculated the interest due as at the date of transfer, and added it to his account balance, there wouldn't be a need to transfer residual amounts. But my role is to resolve individual disputes between businesses and consumers. I don't have the power to tell a bank how it should treat all customers or how it develops its internal policies. That's a matter for the regulator, the Financial Conduct Authority (FCA). I'm satisfied that Fidelity treated Mr D fairly in that it acted in line with its agreed terms and procedures.

Fidelity's policy for "How we manage your cash" is reasonably clear that:

"Interest is paid to you in the month after it has been earned. For example, interest relating to June will be paid by the end of July."

And its terms explain how it processes income received after an ISA has been transferred:

"After you instruct a Re-registration of all your assets to another provider, if we receive an

income payment, a dividend or other cash amount relating to your Investment, we will pay this to your new provider where they will accept this. If we are unable to pay it to your new provider we will, where permitted, pay it into your bank or building society account, or send a cheque, payable to you.” (3.3 (d))

I'm satisfied Fidelity acted in accordance with this term. S had requested the transfer by cheque, and so Fidelity sent a cheque to S for the first interest payment of £70.77. S didn't accept residual payments, so it returned the cheque. By the time this had been returned, and Fidelity became aware that S didn't accept residual payments, a further month's interest had been received.

Mr D decided to give instructions to withdraw the money to his bank account. I'm satisfied this is the action Fidelity would have taken anyway, in line with its terms, once it found out S couldn't accept residual payments. For this reason, I don't find Fidelity needs to compensate Mr D for any loss of tax-free status on the sum that was credited to his bank account.

Mr D complains that Fidelity failed to communicate with him. But as it was following the process set out in its terms – of paying the income to the new ISA provider – I don't find there was any need to tell Mr D what it was doing. As the new ISA provider, and the party who'd requested the ISA transfer, I think it's reasonable to expect S, rather than Fidelity, to tell Mr D that it had returned Fidelity's cheque because it didn't accept residual payments.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

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

Elizabeth Dawes
Ombudsman