

The complaint

Mr S complains Nationwide Building Society (“Nationwide”) made mistakes in opening an ISA account.

What happened

Mr S opened a fixed rate cash ISA with Nationwide (“FRISA”) online on 29 October 2023. He wanted to invest his annual ISA allowance of £20,000 funded with £10,000 from a bond maturing with Nationwide that same day and the remainder of £10,000 from another Nationwide account. On opening the FRISA he paid in the money from his Nationwide account but later found he couldn’t add the funds he’d wanted to add from the maturing bond.

Nationwide didn’t think it had done anything wrong. In their Final Response Letter it told Mr S, although it was sorry he couldn’t add any further funds to the FRISA, the terms of the account provided that funds could only be paid into the FRISA at the application stage. In response to his concern that he wasn’t now able to utilise his annual ISA allowance Nationwide clarified that although he could only open one type of each ISA a year when opening a cash ISA with Nationwide it would form part of a portfolio cash ISA with them. He could split this cash ISA across multiple products - so Mr S could open more than one cash ISA product with them in a tax year. It also said there were no rules preventing him from putting the matured bond funds into an ISA but the only way to get money out of an online bond was to close it and send the funds to a nominated account. And in turn it could be sent from his nominated account to an ISA. Mr S brought the complaint to us.

Our investigator didn’t uphold the complaint as she was satisfied the terms didn’t allow additional payments into the account once open. She said had Mr S wanted to utilise his full annual cash ISA allowance in this one FRISA product he’d have needed to have the full amount of funds readily available to credit the FRISA in one transfer to complete the application and open the account. She also thought the 14 day cancellation period provided for in the terms - with no early access charge and impact on the annual allowance - if there was sufficient time and eligibility – meant Mr S could’ve cancelled the initial FRISA investment and reinvest the full amount by opening another account. So, she didn’t ask Nationwide to take any further steps.

Mr S rejected the investigators view and asked for an ombudsman’s decision. He sought clarity around the rules and restriction on opening only one cash ISA a year but Nationwide’s statement he was being able to open more than one cash ISA product with it in a single year. He also questioned the prevention of additional funding into the account as his recollection of the opening process was that, during it, he was prompted to select further account for further funding of the new account. So, he thought, it was clear the system was set up to allow funding from multiple sources not just one. He said he paid the external source of funds first but then found the process terminated with no warning. Mr S also questioned Nationwide’s stance on how the matured bond money had to be paid to a nominated account when - post maturation - his bond was displayed online appearing to be a nominated account with the ability to transfer from.

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.

Mr S has raised several points in his submissions to this service, both before and after the investigator issued his view. I've understood and looked into all of those but I've only commented on what I think's vital in my decision. No discourtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what, I think, is a fair outcome. Having considered all the information here, I've come to the same conclusion as the investigator. I'll explain my reasons for that.

There are a number of separate but interlinked issues here.

Not being able to fund the FRISA he opened beyond the initial opening payment.

I've seen Nationwide's general ISA Terms and Conditions, the key product information for the FRISA and the FRISA summary box. They satisfy me that payments could only be made into the account on opening and no additional payments into the account can be made thereafter. Mr S would've been aware of these terms and have to agree to them as part of the account opening. So, I can't say Nationwide have done anything wrong here in only allowing initial payment on 29 October 2023.

The online chat Mr S initiated on 1 November 2023 about the problem of his additional payment - from the matured bond - failing a couple of days after the account opening also highlighted this. The chat explained once the FRISA was open both deposits and withdrawals weren't permitted for the term. And went on to say any funds Mr S wanted to deposit into the FRISA had to be credited during the application process and this was confirmed within the terms on the account.

Not being able to utilise his annual ISA allowance for 2023/24

As the investigator highlighted Mr S had cancellation rights for 14 days from opening this account. I shan't repeat them here but they would be highlighted during and at the close of the application process and could've been used to cancel and reinvest as the investigator set out. Also, although Mr S believes this is contrary to ISA rules, Nationwide told him it was also possible to open a further cash ISA product with his remaining allowance which could form part of a portfolio Cash ISA with them up to the annual limit. So, I can't agree he was prevented from utilising his annual allowance.

Access to funds in the matured bond

I've seen nothing to suggest Mr S was prevented from withdrawing funds from his matured bond or from closing it. On the information before me, I think the issue was Mr S not being able to transfer funds from the matured bond into the FRISA as a second or additional payment as he'd hoped to. That was due to the restriction in the FRISA - which I've dealt with above - that all funds had to be paid in during the application, rather than subsequently.

So, whilst I appreciate all of Mr S's concerns for the reasons I've given, I'm not satisfied Nationwide have done anything wrong here, so I won't be asking them to do anything else.

My final decision

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 S to accept or reject my decision before 23 August 2024.

Annabel O'Sullivan
Ombudsman