

The complaint

Mr and Mrs W complain that National Savings and Investments (NS&I) incorrectly returned two payments they made. Mr and Mrs W also complain about the information and service provided by NS&I.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

On 8 May 2023 Mr and Mrs W arranged to send two payments (one for £400,000 and the other for £140,000) to NS&I to credit their Direct Saver account. Mr W's explained that he called NS&I before making the payment to check the correct process and information required. Mr W also checked NS&I's website which gives guidance on how to make payments to the Direct Saver account.

The payments were received by NS&I on 9 May 2023 and they were reviewed by the payments team on 10 May 2023. The payments team noted that the payment instructions didn't include Mr and Mrs W's name so arranged to return them to the sending bank (C).

Mr W called NS&I on 10 May 2023 and spoke with an agent. They said that because the payments had been sent direct from a savings account with C they would be returned within the next two to three working days. During the call, Mr W asked why it wasn't possible to transfer funds from a savings account and raised concerns that they had been returned.

NS&I says it asked its intermediary bank to return the payment to C but there was a delay. The funds were ultimately sent by the intermediary bank on 18 May 2023.

During this time, Mr W made further calls to NS&I and raised a complaint on 15 May 2023. NS&I advised Mr W that the payments had been returned due to insufficient information included in the CHAPS payment instruction to identify the account holders.

On 23 May 2023 Mr W spoke with NS&I again as the funds hadn't been credited to his account with C. NS&I provided payment references to check with C.

The funds were paid into the accounts with C on 30 and 31 May 2023.

NS&I issued a final response on 27 June 2023 and offered Mr and Mrs W £50 for the inconvenience caused. But NS&I didn't agree it had made a mistake by returning the funds on the basis they appeared to be from a third party.

Mr and Mrs W referred their complaint to this service and it was passed to an investigator. Within NS&I's file submission, it made Mr and Mrs W a further offer to settle their case. NS&I said that whilst it was right to return the payment, it should've gone back to Mr and Mrs W on 11 May 2023 but was returned by its intermediary bank on 18 May 2023. NS&I offered Mr and Mrs £252.98 representing the interest they would've received between 12 May 2023 and 17 May 2023.

The investigator thought NS&I's offer to pay interest was fair but increased the award for the distress and inconvenience caused to £125. NS&I agreed to proceed on that basis but Mr and Mrs W asked to appeal. Mr W said NS&I's offer didn't take into account the 22 days the payments weren't receiving interest for. Mr W reiterated that he'd followed the guidance on NS&I's website and included all the information it asked for. Mr W also said the offer of £125 didn't reflect the level of distress and inconvenience caused. As Mr and Mrs W asked to appeal, their complaint has been passed to me to make a decision.

What I've provisionally 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.

After Mr and Mrs W's case was referred to me I went back to both parties for further information. I asked Mr and Mrs W to forward evidence to show when the funds were paid back into their account with C. Mr W responded and provided statement evidence to show the funds were fully repaid by 31 May 2023. I also asked Mr and Mrs W to provide evidence of the information they were given concerning how to make inbound transfers to NS&I. Mr W has explained that due to the size of the payments they were sending, his bank (C) advised him to send them via CHAPS. Mr W explained that he called NS&I to check how to make the payment and also checked its website. NS&I's website provided guidance confirming that within the instruction, the payee needed to be noted as "NS&I" and provided the relevant sort code and account number. The website also said the transfer instruction should note a business account was being paid.

Mr W also provided a copy of the online chat he had with C where the transfers were instructed. Reading Mr W's chat with C back, I'm satisfied he followed the advice that was given by NS&I concerning how to pay funds into account and that the payee, account details and account type were all input as directed. So I can understand why Mr and Mrs W feel frustrated and that they've lost out as a result.

I also asked NS&I to comment on the information it gives about how to pay funds into an account. NS&I responded and said the instructions found on its website relate to BACS payments. NS&I says when a BACS payment is made from a UK bank account the name of the account is automatically pulled through to the transfer instruction. As a result, the guidance online doesn't include that step.

Whilst that guidance may work for BACS payments, there's nothing on NS&I's website that says the payment instructions provided only relate to BACS payments. And I'm satisfied that if Mr W had been given a different set of instructions suitable for CHAPS payments either online or over the phone, he would most likely have followed those instructions. Whilst I understand NS&I can't publish information that covers every eventuality, I'm satisfied Mr W sought to verify he was following the correct approach in advance of making the payments. And I'm satisfied that, in Mr and Mrs W's case, the lack of clear instruction has impacted them unfairly.

In my view, had additional instructions for other sorts of transfers like CHAPS been provided, Mr and Mrs W would most likely have followed them. And, in those circumstances, I see no reason why the transfers wouldn't have gone through as planned.

In response to the investigator, Mr and Mrs W asked for interest between 9 May 2023 and 31 May 2023 to be paid by NS&I. But NS&I's offer only covered the period between 11 May 2023 and 18 May 2023. NS&I accepts it could've acted quicker to send the funds back to C. I've considered whether there are grounds to tell NS&I to increase the award.

Before I address that point specifically, I think it's fair to say that when the transfer wasn't received by NS&I in a way it could use to credit the funds to Mr and Mrs W's account, I think the decision to send it back was reasonable. I wanted to get a better understanding of what happened between 18 May 2022, when NS&I's intermediary bank sent the funds back, and 31 May 2023, when the final transfer was received by C.

NS&I has been back to its intermediary bank which has confirmed the funds were transferred back to C on 18 May 2023. No contact was received from C by the intermediary bank to query a delay in receiving the funds back. There was no contact to check why the funds had been sent back to C or to request further information to ensure they made it back to Mr and Mrs W's accounts with it. Essentially, the intermediary bank has explained that the payments were correctly returned on 18 May 2023 and no contact was made by C to check the details or query the payments in any way.

I can only award compensation where I find a business has made a mistake that's resulted in a financial loss for the consumer. Here, whilst I agree the information initially provided by NS&I to Mr and Mrs W fell short, I am satisfied that the intermediary bank sent the funds back to C on 18 May 2023 as claimed. I haven't found anything that shows it was responsible for further delays in Mr and Mrs W receiving their money back beyond 18 May 2023. So any interest payment NS&I makes to resolve this case can only fairly be applied up to 18 May 2023.

With that said, I'm not persuaded the current offer to refund interest between 11 May 2023 and 18 May 2023 fairly reflects what's happened. In my view, a fairer approach would be for NS&I to pay interest between 9 May 2023, the date it received the funds, to 18 May 2023, the date it sent the funds back to C. So I intend to uphold Mr and Mrs W's case and direct NS&I to pay interest between 9 May 2023 and 18 May 2023.

I've also considered the level of distress and inconvenience caused to Mr and Mrs W in this case. Whilst I can see our investigator increased the award to £125, I'm not persuaded that fairly reflects the impact of what happened. I can see that Mr W was in regular contact with NS&I and have listened to some of his calls during which it's clear he's worried and frustrated. In addition, I think it's fair to say that the sum of £540,000 is substantial and finding that payments couldn't be applied to their account with NS&I as planned was clearly upsetting. In my view, a payment of £350 more fairly reflects the overall level of distress and inconvenience caused to Mr and Mrs W. So unless I see anything new in response to my provisional decision, I also intend to increase the compensation for the distress and inconvenience caused from £125 to £350.

I invited both parties to respond with any additional points or information they wanted me to consider before I made my final decision. Mr and Mrs W confirmed they were willing to accept.

NS&I responded and said it thought its existing settlement was fair.

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.

Whilst I note NS&I's response, no new information has been provided. NS&I said it had five days to return a payment. But if the relevant information had been given to Mr W at the outset, there would've been no need to return the payments intended for the Direct Saver.

As neither party has provided new information for me to consider, I see no reason to change the conclusions I reached in my provisional decision. I still think Mr and Mrs W's complaint should be upheld, for the same reasons.

My final decision

My provisional decision is that I intend to uphold Mr and Mrs W's complaint and direct National Savings and Investments to settle as follows:

- Pay Mr and Mrs W interest on £540,000 at the rate applicable for the Direct Saver account between 9 May 2023 and 18 May 2023
- Pay Mr and Mrs W a total of £350 for the distress and inconvenience caused (less any compensation already paid)

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs W to accept or reject my decision before 20 May 2024.

Marco Manente
Ombudsman