

## **The complaint**

Mr S complains that National Westminster Bank Plc did not open his Individual Savings Account (ISA) that he applied for, and they provided him with poor customer service.

## **What happened**

Mr S applied for a two year fixed rate ISA with NatWest on their website on 8 August 2023 which was paying 5.9% interest. He says he received a message from a third party company acting on NatWest's behalf, so they must have received the application, but the account was never opened. Mr S opened a one year fixed rate ISA with a third party provider as a result of what happened with his NatWest application, however, this ISA was only paying 5.5% interest (and their two year ISA at the time was only paying 5.1% interest). Mr S feels he has missed out as a result of NatWest not opening his account when he applied for it. Mr S made a complaint to NatWest, but he says they lost his complaint and there were delays in responding to him.

NatWest upheld Mr S' complaint. They apologised the opening of the fixed rate ISA was not completed in August 2023. They said due to the time that has elapsed they'd been unable to ascertain why this was. NatWest said they could see he requested a complaint to be raised for him regarding the ISA on 31 August 2023, but again they've been unable to ascertain why no complaint was raised for him until 4 October 2023, following his telephone call to them that day.

NatWest offered Mr S £100 compensation for distress and inconvenience. They also said if he forwarded them his certificate of deposit for his fixed rate ISA with his new provider, they would send him the difference in the interest rates for the term he holds the ISA with the new provider, and they would also backdate the interest on the deposit to 8 August 2023. They calculated this as £428.33 (2 x £80 for two years at 0.4% difference, and 5.9% for 83 days between 8 August 2023 and 29 October 2023). Mr S brought his complaint to our service.

Our investigator partially upheld Mr S' complaint. She said that NatWest's offer of the interest payment was fair and reasonable. She said any prediction of interest rates in the future can only be by their nature be speculative. Interest rates fluctuate due to different market forces, so she couldn't say what will happen with interest rates in October 2024, how much will be invested, or where Mr S will choose to invest his money. She said the interest rates being offered in October 2024 could be higher than the rate NatWest originally offered.

Our investigator said that the £100 for distress and inconvenience that NatWest offered should be increased to £250. She said Mr S was under the impression after receiving confirmation, that his ISA was in the process of being opened with NatWest. It was only when he contacted NatWest that he was made aware that his application hadn't been received. She said the delays in responding to Mr S' concerns meant he opened a fixed rate ISA with another provider.

Mr S asked for an ombudsman to review his complaint. He made a number of points. In summary, he said he believes he is worse off under the proposed resolution to his complaint. He suggested that NatWest pay him one years' compensation, then in October 2024 when

his external ISA matures, NatWest should open him a one year fixed rate ISA and pay him the difference between that and 5.9% interest. Mr S says he asked them a question about whether or not he could have transferred an external ISA to them (if they could this would have increased his losses), but he still hasn't had an answer from them about this.

### **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 made a number of points to this service, and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.

Mr S has mentioned that NatWest haven't answered his question about his external ISA being transferred to them. I'm unable to look into this complaint point as this doesn't appear to be part of his original complaint, however, Mr S has told us he's made a separate complaint about this to NatWest, so if Mr S is unhappy with his response on this separate complaint from NatWest, then he may be able to bring this separate complaint to our service if he wants us to consider this. But he must do so within the relevant timeframes.

Both parties agree that NatWest let Mr S down by not opening his ISA when he applied for it, and by not responding to his concerns in a timely manner. This inconvenienced Mr S as he needed to get in contact with NatWest about this, and he's told us about the constant visits to the branch, the chats he's had with NatWest and the problems he's had with them. So what happened here is not in dispute by either party. Unfortunately, due to the time that's passed, NatWest are unable to explain why these things happened, which would be frustrating for Mr S, and only add to his distress.

So I do think the offer of £100 compensation for distress and inconvenience does not recognise the impact that NatWest's errors had on him here. I agree that £250 is a more proportionate amount of compensation for the distress and inconvenience that he's had as a result of these errors.

I've then considered what would be fair regarding any lost interest. Unfortunately, I'm unable to compare things on a like for like basis in the sense that Mr S applied for a two year fixed rate ISA with NatWest, but when he opened the ISA with a third party, this was only on a one year fixed rate basis. So I'm unable to fairly say what interest rates will be in October 2024 if that is when Mr S' external ISA matures.

I also don't know what Mr S' personal circumstances will be and what he will do with the money in the account. But I can confirm to NatWest that the issue of the external ISA he opened with the third party does pay 5.5% interest based on the Key Facts sheet I've seen on their website.

I've considered what NatWest have offered Mr S regarding the interest element of his complaint. Their offer is more favourable than what I would have suggested if they did not uphold this part of Mr S' complaint and I'll explain why.

Mr S applied for a two year fixed rate ISA. So if this was opened, NatWest would have paid interest on the relevant balance for two years. But NatWest's offer has an element of interest not only for two years, but for an additional 83 days. NatWest have offered this on the basis that Mr S applied for the ISA on 8 August 2023, and he told them he had deposited funds into his external ISA on 29 October 2023.

But the statement Mr S provided to our service shows that he actually made a deposit into this ISA on 29 September 2023 for £100. It was on 30 October 2023 that he deposited another £19,900. So I am persuaded that the ISA was opened on 29 September 2023 at the latest, therefore I wouldn't have asked NatWest to have paid the 5.9% for 83 days on the basis that Mr S could have made the £19,900 deposit a lot earlier (at least from 29 September 2023) than he did.

I'm also mindful that while the £20,000 (the £100 on 29 September 2023 and the £19,900 on 30 October 2023) was waiting to be deposited, that Mr S could have been earning interest on this money, therefore his losses may be less (or significantly less) than 5.9% if he was earning any interest on this money during this time. So if NatWest had not accepted our investigator's view of the complaint, I would have asked Mr S for evidence of the account the funds were being held in and it would've been proportionate to pay him the difference between the two interest rates.

NatWest's interest calculation for the 0.4% difference is slightly lower than I would have paid Mr S. This is because after year one when the interest should have been credited to his ISA, then his balance would be over £20,000 with the first year's interest included as opposed to the £20,000 balance in the first year. So while NatWest have offered £80 for year one and £80 for year two as a difference of 0.4% on £20,000, the second year should be slightly higher (in pounds and pence, not the 0.4% difference).

But that being said, even if NatWest had opened Mr S' ISA when he applied for it, I'm unable to say for certain he would have added the full £20,000 ISA allowance on day one. As he's shown on his external ISA, he initially added £100, then it was over a month after this that he added £19,900. If he would have done the same thing on the NatWest ISA, then it's likely he would've earned less interest than what's been offered as a difference.

I've considered what Mr S has suggested about NatWest paying him one years' interest difference now, then in October 2024 (when his external ISA matures), NatWest should open him a one year fixed rate ISA and pay him the difference between that and 5.9% interest. But it's not proportionate for me to order NatWest to open a fixed rate ISA for him in the future. And NatWest may not even offer a one year fixed rate ISA in October 2024.

So overall, as NatWest's interest offer of £428.33 (83 days interest at 5.9% = £268.33 and  $\text{£20,000} \times 0.4\% \times 2 = \text{£160}$ ) is higher than what I would have likely awarded Mr S for the reasons given above, and as they accepted our investigator's view to pay him this interest, then I'm not minded to interfere here and lower the amount NatWest should pay Mr S. So it follows I'll be asking NatWest to put things right for Mr S.

### **Putting things right**

Our investigator has suggested that NatWest pays Mr S £250 compensation for distress and inconvenience, and £428.33 for lost interest, which I think is reasonable in the circumstances.

### **My final decision**

I uphold this complaint in part. National Westminster Bank Plc should pay Mr S £250 for distress and inconvenience and £428.33 for lost interest.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 June 2024.

Gregory Sloanes  
**Ombudsman**