

The complaint

Mrs C complains Barclays Bank UK PLC didn't give her essential information when closing an existing Individual Savings Account (ISA) and taking out a new one.

What happened

During a visit to a Barclays branch, Mrs C asked about current interest rates on ISA's. She was told rates had increased and was asked if she'd like to close her existing ISA and transfer the funds to a new, higher paying, account. She did this but a penalty of £566.11 was charged because the transfer was made before the fixed term on her existing account had expired. When opening the new account, Mrs C opted to receive interest monthly. Because of this, interest earned was paid into another of Mrs C's accounts, not the ISA. Mrs C says she wasn't told this would be the case and complained. She asked to change to an account where interest was paid back into the ISA. This was done but a further penalty of £1,882.34 was incurred. Mrs C again complained.

Barclays responded to Mrs C's initial complaint on 1 September 2023. It accepted it'd made a mistake in its calculation of the penalty of £1,882.34 and refunded £1,335.15. The remainder of the charge stood (£547.19) because it amounted to interest earned. Barclays said the information regarding where monthly interest could be paid is in the terms and conditions and it was Mrs C's responsibility to read these and cancel within the 14 day cooling off period if she was unhappy with any of the terms.

Mrs C remained unhappy and brought her complaint to us. One of our investigators looked into Mrs C's concerns and said they thought Barclays hadn't done anything substantially wrong. They said Barclays had charged the penalties in line with the terms and conditions of the accounts and had provided those. So, they thought Barclays had done enough. Mrs C disagreed and asked for an ombudsman to review the case. Whilst the case was waiting to be assigned to an ombudsman, Mrs C submitted new evidence. Mrs C's complaint was passed to me to decide.

I issued a provisional decision where my findings were as follows:

Based on what I've seen, I don't believe Mrs C was provided with sufficient information about where interest on her monthly interest ISA would be paid. For that reason, I'm minded to uphold Mrs C's complaint.

From what I've read, the initial penalty applied by Barclays of £566.11 is not in dispute. But, for the sake of completeness, I find that Barclays was allowed to charge the penalty it did because Mrs C chose to move her money to an ISA paying a higher rate of interest. When Mrs M moved to the new account (2 Year Monthly Interest Premier Flexible Cash ISA Issue 25), she chose to have the interest paid monthly. She says that Barclays didn't make her aware that the interest couldn't be added to the ISA but had to be paid into a separate Barclays Account or by cheque. Barclays for its part says the terms and conditions of the

policy explain about interest and have referred both Mrs C and this service to the section headed Your Flexible Cash ISA and Interest. It says the terms and conditions were sent to Mrs C and if she was unhappy, there was a 14 day cooling off period. I've therefore looked at what Barclays say Mrs C was provided with to assess whether she was given sufficient information.

The relevant section includes the wording:

"If you choose monthly (or annual, for terms greater than 12 months) interest, we start paying interest one month (or one year) after the date you open the ISA, and then monthly or annually. We'll pay it to you on the first working day after it's due (Monday to Friday, excluding bank holidays). We can pay it into a Barclays account (sole or joint) you tell us to, as long as you are one of the account holders. Or we can pay the interest to you by a cheque in the post, usually sent second class (or similar)."

I understand this to mean that the interest can be paid into any Barclays account or be sent by cheque. I see no reference there to the fact that interest can't be paid to the ISA itself.

Barclays told us that when the account was opened, Mrs C would've chosen whether to have the interest paid into a Barclays account or sent by cheque. I've looked at the internal notes provided by Barclays for the setup of the ISA and can see no reference there to where interest should be paid.

Mrs C has sent us a leaflet she found online which is called 2 Year Premier Flexible Cash ISA issue 25 (Barclays reference 9914286LP-25_UK Created 03/23). It says it should be read alongside the additional conditions for flexible cash ISAs – which are the terms I referred to above. But in this document, it says:

"Monthly interest cannot be paid back into this ISA or directly to any other ISA or Bond. It can be paid into a Barclays account in your name or held jointly with someone else, or it will be sent to you by cheque. Monthly interest does not compound in your ISA"

I find that it's this information which explains where interest can, or can't, be paid. And so, if Mrs C had seen this, I think she should've been aware of the limitations of the monthly ISA. But Mrs C tells us that she has not seen this leaflet prior to finding it online. And Barclays hasn't said that this specific product information was given to her. So, on the balance of probabilities, I believe that it's more likely than not that this information wasn't given to Mrs C. If it were, then I think it's fair to say she wouldn't be in the position she subsequently found herself in.

And so, I find that Mrs C was unaware interest would be paid into her saver account. I further believe, had she been aware, she wouldn't have opted for monthly interest.

Mrs C then had to close the Monthly Interest ISA and open a new one which incurred a penalty (when recalculated) of £547.19. Had the conditions been explained at the outset, this penalty would never have occurred.

I've considered very carefully what the redress should be in this case. My starting point is that Mrs C should be put back in the position she would've been in had the mistake not happened. So, what would that position had been?

Mrs C would've most likely taken either an annual or end of term interest ISA which was paying 3.5% interest. And that rate would've been fixed for the two year term. And the penalty of £547.19 wouldn't have been charged.

But, because of the mistake, Mrs C has been charged the penalty but will be benefitting by earning interest on her funds at 4.5%. Over the two years that equates to considerably more than the penalty. I asked our Investigator to highlight this to Mrs C, who accepted that this put her in a good place.

So, on balance, I find that because of Barclays' mistake, Mrs C will benefit in the longer term – in a way that meets her overall aims of taking out this product. So, I don't think it'd be fair to expect Barclays to repay the penalty and Mrs C should remain on the 4.5% interest rate.

Barclays has paid Mrs C £200 because when it calculated the penalty to transfer the money from the monthly ISA to the 2 Year Term Int Premier Flexible Cash ISA Issue 29, it did so incorrectly. I believe this payment to be fair and reasonable for that mistake. But I do find that Barclays didn't give Mrs C sufficient information when she took out ISA issue 25 (the monthly interest option). As a result of that, Mrs C has been both confused and distressed by what's happened as well as believing she has suffered a penalty which is unjustified. It has taken Mrs C both time and patience to have to try to resolve this with Barclays and I don't feel its explanations have always been helpful to Mrs C. For that reason, I intend to award Mrs C £200 in addition to the £200 Barclays has already offered.

Both Mrs C and Barclays replied to my provisional decision to say they agreed. So, I now have to make a final decision on this complaint.

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.

Since both Barclays and Mrs C have replied to my provisional decision saying they accept it, I consider that this remains the fair and reasonable way to resolve this complaint.

Putting things right

In my provisional decision I said that I felt the compensation awarded by Barclays of £200 didn't fully cover the distress and inconvenience she'd been caused. So, I said Barclays should pay an additional £200 bringing the total compensation payable to £400. As both Mrs C and Barclays have agreed, that's what Barclays should now do.

My final decision

I uphold this complaint. Barclays Bank UK PLC should

- Pay Mrs C additional compensation of £200 to bring the total to £400 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 28 May 2024.

Stephen Farmer
Ombudsman