

The complaint

Ms W complains that Hampshire Trust Bank Plc (“HTB”) failed to pay the maturity proceeds of a fixed term ISA to another provider in a timely manner.

What happened

I issued a provisional decision on this complaint in March 2024. In that decision I explained why I thought the complaint should be upheld and what HTB needed to do in order to put things right. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

Ms W held a fixed term ISA with HTB that matured on 15 May 2023. HTB told Ms W that, at maturity, her account would have a cash value of £40,664.03. HTB wrote to Ms W on 19 April to seek her instructions for when her ISA Bond matured. It told her that if she didn’t want to reinvest the proceeds with HTB she needed to provide instructions at least two days before the account matured. HTB told Ms W that if those instructions were received by that time it would repay the funds to her, or a new ISA manager of her choosing, on the maturity date.

Ms W decided to transfer her ISA savings to a new provider that I will call C. HTB received a transfer request from C on 2 May for the funds to be paid at maturity. And Ms W confirmed that instruction by telephone with HTB the following day.

On 16 May Ms W noticed that the transfer to C hadn’t been completed. HTB confirmed to Ms W that her funds hadn’t been transferred and had been placed temporarily in an instant access account. This was confirmed to Ms W in a letter she received shortly afterwards (dated 15 May) advising her that HTB had moved the funds to the instant access account since it hadn’t received any maturity instructions from her. Ms W says that the maturity funds were transferred to C on 17 May.

Ms W was unhappy about the time the transfer had taken so complained to HTB. HTB concluded that it hadn’t done anything wrong saying that its regulator allows a period of five working days for transfers to be completed. It apologised for the error in its letter and noted that Ms W had provided maturity instructions in good time. And it noted the costs Ms W might have incurred making the extended phone call on 16 May. It offered her £5 for the costs of that call. Unhappy with that response Ms W brought her complaint to us.

I think the basic timeline behind this complaint isn’t in dispute. Ms W provided maturity instructions to HTB at least eight working days before the maturity date. And the transfer of the proceeds of Ms W’s bond were not sent to the new ISA manager until two days after the maturity date. During those two days Ms W’s savings were held in an instant access account paying interest at a rate of 0.1%.

What I need to decide here is whether HTB acted appropriately in making the transfer at that time. To do that I will consider the information it gave to Ms W about what would happen on maturity, both in the letter it sent to her in April 2023, and in

the terms and conditions of the account. As I will now go on to explain I don't think HTB has acted fairly.

The letter that HTB sent to Ms W in April 2023 set out what would happen when her bond matured the following month. It provided her with details of a new fixed term bond that was being offered by HTB. And it then went on to explain what would happen should Ms W not want to invest in that bond. The letter said;

"If you do not wish to make a further investment with Hampshire Trust Bank, you can ask us to repay your funds to you, or a new ISA manager, on the maturity date.

You can give us your reinvestment instructions by logging into your online account. You must give us your reinvestment instruction or ask us to repay your money online at least two days before your account matures.

If we do not receive an instruction from you, upon maturity the ISA will automatically be transferred into an easy access ISA account. We will write to you confirming the details of this account if this happens."

And I think the instructions in that letter mirror those in the account terms and conditions. In particular, in relation to this complaint, I think that I need to consider section 7.7 of the Terms and Conditions for Cash ISAs. That says;

"We will send your funds to your new ISA provider within 5 working days of receiving the request from them or on expiry of the notice period or fixed term in accordance with your instructions"

It seems to me that both documents are clear. Ms W needed to provide some notice to HTB about her request to transfer her ISA savings. And then, providing that notice had been given in sufficient time, HTB would transfer the proceeds of her bond to a new provider when her account matured. The letter HTB sent to Ms W said the transfer would take place "on the maturity date". And the terms and conditions said it would take place on the "expiry of the fixed term".

It seems logical to me that would be the case. Otherwise it could seem to create some sort of ambiguity if a bank were allowed to retain a customer's funds, only paying a token amount of interest, for an additional period of time following the end of a fixed term agreement. That might cause a bank to unnecessarily delay the transfer of those funds, to a customer's disadvantage. So I think the terms and conditions offer a fair undertaking – that any funds will be transferred as soon as the fixed term expired.

I don't think the terms and conditions offer HTB the opportunity to take up to five working days to complete this transfer as it has suggested. It seems that part of the term only applies when instructions haven't been given in advance – Mrs W actually provided instructions at least eight working days in advance. And I note the maturity letter only asked Ms W to provide two days' notice of her transfer intentions.

So I am satisfied that Ms W's complaint should be upheld. HTB didn't act in accordance with either the terms and conditions of the account, or what it told Ms W it would do in the maturity letter. The proceeds of Ms W's bond should have been sent to the new provider on 15 May 2023 – the day that the bond's fixed term expired.

As I said earlier, HTB transferred Ms W's monies to an instant access account paying an interest rate of 0.1%. Whilst at this stage Ms W hasn't provided us with details of the rate the monies would have been earning on her account with the new provider I don't think it would be unreasonable to conclude that rate would be higher than the minimal interest she was being offered by HTB on the instant access account. So I currently think Ms W has lost out on the interest her savings would have earned for the two days during which the transfer was delayed.

I have no doubts this matter has caused some inconvenience to Ms W, as well as the loss of interest. She needed to make a lengthy phone call to HTB on 16 May, as well as calls to the new ISA manager, to check the status of the transfer. And of course she had the worry of not being sure when her funds would be transferred. So I currently think it would be reasonable for HTB to pay additional compensation of £75 to Ms W for the distress and inconvenience she's been caused.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Ms W has said that she accepts my provisional decision and has provided evidence that her new provider was paying interest on the transferred monies at a rate of 4.35% per annum. HTB has also said that it accepts my findings as it agrees its communications were not sufficiently clear. HTB says that the terms and conditions of the account, and the maturity instructions, are in the process of being rewritten. But it notes that it thinks the way it dealt with Ms W's maturity instructions was in line with industry standards.

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.

As I set out in my provisional decision, in deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Ms W and by HTB. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

And I repeat my reflections on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Given that both Ms W and HTB have accepted my provisional findings I see no reason to alter them. I have noted HTB's comments about good industry practice, but think it is important to remember this complaint is about what happened to Ms W. HTB accepts the information it gave her was not sufficiently clear, and that information is what Ms W based her decisions on.

So I am satisfied that Ms W's complaint should be upheld. HTB didn't act in accordance with either the terms and conditions of the account, or what it told Ms W it would do in the maturity letter. The proceeds of Ms W's bond should have been sent to the new provider on 15 May 2023 – the day that the bond's fixed term expired.

Putting things right

I think that the transfer of the proceeds of Ms W's ISA bond should have happened two days earlier than it did. So I direct HTB to pay compensation to Ms W equal to the interest she would have earned on those monies had they been invested with the new provider – Ms W has shown evidence that the rate that was paid by the new provider is 4.35%. HTB can deduct from that payment an amount equal to the interest it has already paid Ms W whilst her savings were held in the instant access account.

I also direct HTB to pay additional compensation of £75 to Ms W for the distress and inconvenience she has been caused.

My final decision

My final decision is that I uphold Ms W's complaint and direct Hampshire Trust Bank Plc to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 7 June 2024.

Paul Reilly
Ombudsman