

The complaint

Mr G complains about delays opening an Inherited ISA with National Savings and Investments (NSI).

What happened

Mr G's wife sadly died on 5 December 2022. She had an ISA with another bank (which I will call 'bank A'). The balance was £71,414.22. Under the ISA inheritance rules, Mr G (as her spouse) could transfer the ISA balance into an 'Inherited ISA' (which I will call 'INH ISA') in his name – in other words, Mr G could transfer his late wife's ISA allowance up to its existing balance. Under the rules for INH ISAs, Mr G had three years (to 4 December 2025) to set this up.

Mr G had some investments with NSI and wanted to transfer his late wife's ISA to himself under the Inheritance ISA rules.

The transfer rules for Inheritance ISAs are not the same as the transfer of standard ISAs. Unlike normal ISA transfers, for Inheritance ISAs, there isn't a transfer window limit of 15 days – and the funds are repaid to the beneficiary's bank account (Mr G in this case), who then reinvests it in the new Inheritance ISA.

The following events took place:

- 22 May 2023: Mr G sent his application for an INH ISA to NSI. Received by NSI 25 May 2023.
- 21 June 2023: NSI wrote to bank A for information about the existing ISA. This was necessary under INH ISA rules.
- 19 July 2023: bank A replied to NSI with the response to the information request, and certified the details of the existing ISA.
- 19 July 2023: bank A repaid the funds from its ISA to Mr G's nominated bank account.
- 4 August 2023: bank A wrote again to NSI with the response to the information request, and certified the details of the existing ISA.
- 11 August 2023: NSI wrote to bank A again to ask for a response to its letter of 19 June 2023.
- 14 August 2023: NSI received another letter from bank A - with another response to the information request, and certified the details of the existing ISA
- 15 August 2023: NSI opened the INH ISA account and wrote to Mr G to confirm the account was opened.
- 21 August 2023: Mr G tried to deposit £71,414.22 into the INH ISA by faster

payment. This was rejected by NSI as it was against the terms and conditions of the INH ISA.

- 28 August 2023: Mr G tried to make a debit card payment to the INH ISA – it was declined by his bank.
- 30 August 2023 to 2 September 2023: three debit card payments totalling £71,414.22 were made to the INH ISA.
- 19 October 2023: Mr G closed the account.

The interest rates were 1.4% per annum at bank A (advised by Mr G), and NSI's rates were 2.4% per annum up to 18 August 2023, and 3% per annum from that date.

Mr G complained. He said:

- He was given the wrong information on calls to NSI on a number of occasions.
- The delays in opening the INH ISA were caused by NSI. NSI should've opened the account within 15 days under the ISA transfer rules.
- NSI's call agents were unsympathetic and unhelpful.

NSI sent their final response on 2 August 2023. This said:

- NSI received Mr G's application for the INH ISA on 25 May 2023.
- NSI then wrote to bank A on 21 June 2023 to start the process of 'transferring' (sic) the funds to NSI.
- As at 2 August 2023, NSI hadn't had a response from bank A.
- NSI accepted there had been delays after they received Mr G's application (on 25 May 2023) and writing to bank A on 21 June 2023.
- For that, and the experience Mr G had on the phone, they paid compensation of £75.
- Mr G had made a Data Subject Access Request (DSAR) and this was being processed.

Mr G didn't accept this and brought his complaint to us. Our investigator issued two views, and the second one said:

- NSI accepted they were responsible for delays at the outset, due to high staff workloads.
- Bank A responded to NSI's information request on 19 July 2023, and he considered it was reasonable to assume that NSI got that and should've processed it then but didn't.
- NSI then followed up and chased bank A on 11 August 2023 – after Mr G called NSI.
- There was some conflicting information provided by NSI on the phone.
- The calls on 25 July 2023 were poor in tone and misleading. He was told on that call that bank A had been chased up – which wasn't the case.

- He said NSI should pay interest at 3% from 30 July 2023 (allowing time for bank A's letter to arrive) up to 4 September 2023. He said it should be 3% as Mr G's funds were in a non-interest bearing account with his bank and NSI's rate (by then) was 3%.
- He said NSI should pay compensation of further £275 for the delays and poor service. This meant a total of £350.

Neither NSI nor Mr G agreed.

Mr G's main points were:

- Consider the initial delays after his application was sent to NSI – this should be compensated for. NSI had breached the 15-day ISA transfer rules.
- The compensation of £350 wasn't adequate for the distress and inconvenience he experienced.

NSI said:

- Most of the delay was due to the lack of a response from bank A.
- It wasn't fair to pay interest up to 4 September 2023 – as Mr G posted funds on 1st and 2nd September 2023. And Mr G could've deposited money earlier - from 15 August 2023 but didn't.

Because neither party agreed, the complaint has come to me to consider.

I issued a provisional decision which said NSI should do more to settle the complaint:

It's important to say that as part of our process, I've looked at this complaint afresh and with a different set of eyes. So, my provisional decision (and its reasoning) is different to that of our investigator.

There are two main aspects to this complaint:

- The delays in opening the INH ISA and the reasons for that.
- The calls between Mr G and NSI.

Delays:

- It is clear that NSI should've processed Mr G's application quicker than they did. They told us they received the application on 25 May 2023 but I can see they didn't write to bank A (under the INH ISA rules and processes they needed to certify the existing ISA balance and status) until 21 June 2023.

This was a delay of one month, and this caused a knock on through the whole process.

- I've seen bank A's letter dated 19 July 2023 to NSI. NSI say they didn't receive it. But, given the staffing pressures they were experiencing and the delays in processes (and I can also see that bank A wrote to NSI on 4 August 2023 – and that wasn't actioned either) - I'm persuaded that it's likely NSI must have received the response and should then have reasonably acted on it.

That would've meant the INH ISA could've been opened by (say) 25 July 2023. That was three weeks earlier than when it was opened on 15 August 2023.

- So here, I think it's reasonable for me to say that NSI were responsible for total delays of seven weeks. That is between 25 May 2023 and 21 June 2023 (the initial delays: four weeks) and between 25 July 2023 and 15 August (not responding to bank A's letters: three weeks).
- I don't think it's reasonable for me to hold NSI responsible for bank A not responding between 21 June 2023 and 19 July 2023.
- So, for his, NSI should pay the difference in interest at a rate of 1% (2.4% minus 1.4%) for seven weeks on £71,414 – this is £96, which I will round to £100.
- Mr G has further argued that interest should take into account that he didn't fund the INH ISA until early September 2023. But – NSI wrote to him on 15 August 2023 to say the account was opened, so he could've sent money to it then.

NSI showed us that a faster payment to the account for £71,414.22 was rejected on 21 August 2023. This was because the terms of the INH ISA said payments to it had to be by debit card. I can see the detail of the INH ISA were sent to Mr G when the account was opened on 15 August 2023 and these said *"pay in money by debit card in your own name, issued by a UK bank...pay in either one lump sum or a number of smaller amounts (minimum £1), up to the value of your inherited ISA allowance..."*

So, it's reasonable to say that the rejected payment wasn't caused by NSI, but because Mr G didn't use a debit card to make the payment. I also heard Mr G say on one of the calls that the payments had to be made by debit card – so he was aware of that.

NSI also showed us that two debit card payments for £71,414.22 and £25,000 on 28 August 2023 and 31 August 2023 were declined by Mr G's bank – again, I can't hold NSI responsible for that.

- Mr G has also argued that NSI breached the ISA transfer rules of 15 days. But – there are no such rules for the transfer of an ISA where an INH ISA is being set up. The summary sent to Mr G on 15 August 2023 said *"pay in either one lump sum or a number of smaller amounts (minimum £1), up to the value of your inherited ISA allowance...You must make all your deposits within three years of the date of your spouse's or civil partner's death, or 180 days of the date their estate is settled, whichever is later."* So, I set Mr G's point here aside. **(continued)**

Calls:

I listened to the calls between Mr G and NSI.

Call (1) – 25 July 2023:

Mr G was chasing up progress on his INH ISA application. He said he had the funds (from his late wife's ISA) in his bank account, receiving no interest. I won't detail all of the conversation here but he was told by NSI's call handler:

- The process was that there would be a transfer of the ISA and its funds from bank A. This was repeated several times. This was an error.
- NSI awaited a response from bank A before the 'transfer' could be made. He said the bank A had '15 days' to send the money. This was an error.
- The call handler said NSI had written to bank A again to chase that bank – in the last few days. And said he would send a copy of the letter to Mr G. It later came to light (in the call with the complaint handler on 2 August 2023) that this was not sent, and such a letter did not exist.

Call (2) – 25 July 2023:

Mr G called back as he had spoken to bank A. NSI's call handler (the same person as call (1)) said:

- NSI didn't provide INH ISAs (Mr G referred to 'APS' here). This was an error.
- The 'transfer' of funds must come from bank A. This was an error.
- Mr G must call bank A to chase them up. I think that given the information that Mr G told NSI, and the delays that were by then apparent, it was reasonable to have expected NSI to initiate a chaser to bank A – but didn't.

Call (3) – 25 July 2023:

Mr G called again and got the same call handler. Mr G had looked into matters further and said the call handler had given him the wrong advice earlier (which he had). The call handler said:

- When the funds go back to a bank account, ISA allowances are lost. This was an error as it is the process and rules for an INH ISA that funds are repaid to the bank account and then reinvested.
- Mr G referred to NSI's website guidance for INH ISAs – and the call handler said the guidance must be wrong.
- The call handler said (again) that NSI were waiting for funds from bank A. This was an error.
- The call handler said Mr G had to complete an 'APS transfer form'. Mr G said he had done that. This was an error – as he had done so on 22 May 2023.
- The call handler said there was nothing more that NSI could do.

Tone of calls on 25 July 2023:

Apart from the errors and lack of understanding and knowledge on the calls, I found NSI's call handler to be abrupt and lacking in patience and empathy. Mr G had lost his wife and was reinvesting her money. That was clear from the calls and the INH ISA application form –

and the documents he had provided. I think it's reasonable to expect that NSI's call handler showed more appreciation of his situation than he did. This only served to upset Mr G.

Call - 4 August 2023:

This was with NSI's complaint handler.

- The complaint handler admitted that Mr G had been misinformed about a letter being sent to bank A on or around 24 July 2023 – one wasn't sent and therefore a copy hadn't been sent to him.
- He said several times that the ball was in bank A's court, and there wasn't anything that could be done.
- He said he might ask that NSI chase up bank A but said Mr G could do that if he wished. Given the delays, it's reasonable to expect that the call handler then would say NSI would certainly chase up bank A. But he didn't.

Call – 8 August 2023:

Mr G called the complaints team again. He had spoken to bank A and had a copy of the letter bank A had sent to NSI – dated 4 August 2023. It's apparent that the letter had been sent by bank A as a result of Mr G calling bank A.

- The call handler said NSI didn't have it on their system.
- I heard Mr G say *"I've just lost my wife and now all this..."*

Given the delays here, I think it's reasonable to have expected the call handler to have shown more empathy and taken ownership of the situation – for example by saying he would check for the letter from bank A, find out what the situation was, sort it out and get back to Mr G. But he didn't.

Final response letter dated 2 August 2023:

I noted that this was also wrong as it said *"I can confirm as of the date of this letter, we have not received a response from (bank A).*

Therefore we are unable to complete the transfer. As we are not (bank A), we are unable to advice (sic) why they haven't responded to us and you may wish to contact them to seek further information..."

So – because the final response letter contained reference to 'transfer', this was also wrong.

And I think it would've been reasonable to expect the letter to have been a trigger to find out why there had been delays, engage with the causes and sort matters out – but it didn't.

I heard NSI complaints executive say (on the call on 4 August 2023) he hadn't listened to the calls – so it's not clear if NSI researched the complaint thoroughly.

So, in summary, having listened to the calls and considered what happened here, I don't think Mr G was treated fairly or reasonably:

- On several, long calls, NSI misinformed him that there would be a transfer of funds

from bank A – this wasn't the case.

- At no point did NSI explain to Mr G what the process was for opening an INH ISA and moving money from the existing ISA provider. The call handlers assumed (I think) that the process was the same as for standard ISA transfers.
- Mr G continually tried to question NSI's call handlers and said they were wrong, but was left with the sense that it was he who was in the wrong.
- He was told NSI had chased bank A when they hadn't – this was misleading.
- He was told he would be sent the letter sent at the end of July 2023 – but wasn't (as it didn't exist).
- NSI didn't take ownership of what was happening and try to resolve it – for example by chasing bank A or looking into why there had been a delay in the process. NSI had several opportunities to do that (through the calls and the complaint investigation) but didn't.
- Here was a situation where Mr G had recently lost his wife and was trying to sort out her financial affairs. NSI knew that (from the application form and associated documents, and he said so on the calls). And so – this also affects my view of the compensation that should be paid.

Our service had set out some criteria for deciding awards. We say an award of up to around £750 might be fair where the impact of a business' mistakes has caused considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out.

Because NSI had a number of opportunities to resolve matters and didn't – and instead continued to give the wrong information to Mr G, this heightened the impact on him, particularly in his situation. I'm satisfied that this led to a considerable short-term impact on him.

Therefore, I think compensation of £700 is appropriate (to include the £75 paid). I accept that NSI might find this a lot – but I am confident that having reviewed in full what happened here, I'm satisfied this is justified.

Responses to the provisional decision:

Mr G accepted my findings, but NSI didn't.

NSI said the proposed compensation package was excessive and said:

- NSI accepted there were delays (for which they were responsible) between 22 May 2023 and 21 June 2023.
- The first letter from bank A wasn't received and showed that bank A's letter dated 4 August 2023 was received on 14 August 2023. The account was then opened on 15 August 2023. Mr G could've deposited funds then but didn't.
- Therefore NSI didn't consider they were responsible for the delays between July and September 2023.
- NSI offered to pay additional compensation of £150 (in addition to the £75 paid).

I now need to consider these comments and make a final decision.

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.

I have considered Mr G's complaint again in the light of NSI's comments, which I appreciate.

But I also want to say also that I thought a lot about the best package of remedies when I issued the provisional decision and as it said – accept that compensation of £700 is a lot.

On NSI's specific point about Mr G being able to deposit funds on or around 15 August 2023 – I accept he could and covered that in the provisional decision. I didn't hold NSI responsible for any delays after that time – as it set out. And no lost interest is included after 15 August 2023.

Whether or not bank A's letter was or wasn't received – as the provisional decision set out, I was persuaded it was likely received on or around (say) 25 July 2023. And even if it wasn't (as I said) no one at NSI took ownership and chased bank A until 11 August 2023 – almost two months after NSI's first letter to bank A.

But more generally, it was the cumulative effect of what happened here that persuades me to say that the compensation package is still appropriate. The provisional decision set that out clearly:

- A lot of misinformation provided on several calls; including being told a letter had been sent to bank A when it hadn't.
- Tone of the calls and lack of empathy.
- No information given to Mr G about the process for opening an INH ISA and putting money into it, either in writing or in the calls.
- No one took ownership of the issues and tried to sort matters out – despite there being a number of red flags and opportunities to do so. This was even the case at the stage of the final response – which also contained errors.

I've reflected again on Mr G's complaint and the comments made by NSI but am satisfied that the compensation and loss of interest is fair and reasonable. And so, my final decision is unchanged from the provisional decision.**(continued)**

My final decision

I uphold this complaint. National Savings and Investments must:

- Refund lost interest of £100; and advise Mr G of the tax implications of this.

- Pay compensation of £625 (in addition to the £75 already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 13 June 2024.

Martin Lord
Ombudsman