DRN-4809746

The complaint

Mr S complains that when he applied for a fixed rate bond with TSB Bank plc, he didn't receive the interest rate he saw advertised. Mr S also complained there was a delay in a later deposit to the same bond and he missed interest that he would have earned on this amount.

What happened

Mr S applied for a £20,000 one-year fixed rate bond with TSB and believed he would receive 4.35% interest. Instead, the interest rate was lower. When Mr S complained to TSB it upheld the complaint on the basis that the interest rate changed on the day Mr S applied. TSB said it thought it was reasonable that Mr S had seen the higher interest rate online at the time he applied. TSB apologised and honoured the higher interest rate. As it was unable to amend the interest on the bond TSB completed an adjustment to the accrued interest to reflect the higher interest rate.

Mr S wanted to make an additional payment into the bond. Due to the issues Mr S had experienced with the interest rate, TSB allowed an additional 10-day deposit period for him to do this. Unfortunately, due to an error, the CHAPS payment TSB received was rejected. TSB agreed to extend the deposit window and opened a second one-year bond for Mr S. This had a lower interest rate, but TSB adjusted the rate to that on the first one-year bond (4.35%) and opened a new one-year bond ('the second bond'). TSB paid Mr S £100 for the distress and inconvenience caused and £34 for the additional expenses he incurred.

Mr S brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. The Investigator thought that TSB didn't take into account Mr S hadn't earned any interest on the additional deposit from November 2022 until the second bond had started in January 2023. TSB offered to make a manual adjustment to the second bond and pay interest for the period in question. Mr S accepted TSB's offer and elected to receive the additional interest at maturity. The complaint was closed.

When the first one-year bond ended in November 2023, Mr S received an offer from TSB to re-invest the funds for a further year at an interest rate of 5.7%. When the second bond ended in early 2023, Mr S received an offer to re-invest the funds in this bond at a lower rate Mr S feels that the resolution he accepted now doesn't fix the situation completely. Mr S says he missed the opportunity to re-invest a significant amount of his funds at the higher rate if TSB had invested all of the funds when it should have in November 2022.

Our Investigator re-opened the complaint and thought TSB should take steps to ensure Mr S is fully put back in the position he ought to have been in, had no error been made. This would mean Mr S doesn't lose out due to the second bond maturing after the first bond. The Investigator thought TSB should allow Mr S to re-invest the proceeds of the second bond on the basis of the offer it made to Mr S in November 2023 when his first one-year bond matured (5.7% interest for one-year). When calculating any interest awards, the Investigator thought that TSB could take into account any interest it had paid to Mr S previously, as ultimately the goal here is to put him back in the position he ought to have been in – rather than put him in a more advantageous position.

TSB asked that an Ombudsman decides the complaint.

As I reached a significantly different outcome to the Investigator, I issued a provisional decision ('the first provisional decision'). I asked Mr S and TSB for any further comments or evidence by 11 April 2024. In its response TSB provided evidence that it changed the interest rates at midnight on 17 November 2022 and that the new rates applied from this time. TSB has also provided new evidence that Mr S applied for his initial fixed rate account at 16:25 on 18 November. TSB said that although it agreed to pay Mr S the 4.35% rate on his first and second one-year bonds, it did so as a gesture of goodwill. TSB says it has now changed its position and believes it didn't do anything significantly wrong.

After I received this response from TSB, I asked Mr S for any further comments or any evidence he may have that shows he applied for the 4.35% rate, where he may have seen this rate, or that this rate was available at the time he applied. Mr S said he believed he saw this rate on a comparison website and that although TSB offered to pay him the higher rate on the full amount he invested in the second bond, it didn't match the term of his first bond. Mr S adds this has left him in a position where he wasn't able to invest this additional amount at a higher rate until TSB decided what it could do. Mr S said that part of his complaint was simply asking for the initial investment back so he could do just that, but TSB upheld his complaint and set-up the second bond months later.

After reviewing the submissions from Mr S and TSB I decided to issue a second provisional decision as I reached a different outcome. In my second provisional decision I said:

"TSB changed the rate it offered on its one-year fixed bond at midnight on 17 November 2022. TSB has explained the process it conducts when it changes its interest rates and I'm persuaded that it's more likely than not there were no pending applications for the 4.35% rate at the time the rate changed. Regardless of this, TSB has now provided a copy of Mr S' on-line application which was timed at 16:25 on 18 November. Mr S says he thinks he may have seen the 4.35% rate on a comparison website. TSB has explained that its Savings Team and Digital Team conducted additional checks at midnight on 17 November, or shortly after, to ensure the new rate would have been visible in multiple locations.

Taking into account the circumstances of this complaint I think it's more likely than not Mr S made an application after the bond rate changed to a lower rate. I acknowledge that TSB then agreed to give Mr S the benefit of the doubt and allowed the initial investment to be made at the 4.35% interest rate. And that it later allowed Mr S to invest a further significant sum at the same interest rate. However, I intend saying TSB didn't need to do this as Mr S hadn't applied for the 4.35% one-year bond in time.

Because it took two-months for the second bond to be put in place, TSB agreed to pay Mr S the interest (at 4.35%) on this amount for the period between when the first bond started, and the second bond started. The second bond didn't have the same end date as the first bond, but Mr S and TSB were happy with this as a resolution, and Mr S asked for the interest to be paid to the second bond at maturity. When the first bond ended Mr S was offered a reinvestment interest rate of 5.7% to reinvest the proceeds. When the second bond ended in almost two months later, TSB offered Mr S a lower rate of interest (5.2%) to reinvest the proceeds of this bond. Mr S believes TSB should have offered him the same interest rate on the second bond as the one he was offered when the first bond matured.

I can understand why Mr S believes this would be fair and reasonable, but I intend saying TSB doesn't need to do anything else. I will now explain why.

When TSB agreed to pay Mr S the 4.35% interest rate on his second bond, it didn't match this to the term of the first bond. When Mr S' first bond matured he didn't re-invest this.

Instead, Mr S used the money for additional personal expenditure. For this reason, I don't intend taking the proceeds of the first bond in to account in my decision as it's likely this would never have been re-invested with TSB. However, Mr S believes the maturity dates for both bonds should have been 17 November 2023 and that TSB should pay him interest at 5.7% on the second bond. Mr S says he would have his second bond at this rate.

I intend saying that although TSB could have matched the terms of the two one-year bonds, it didn't have to as Mr S applied too late for the 4.35% interest rate. I intend saying TSB took a pragmatic approach to resolve the complaint. Both bonds benefited from the 4.35% interest rate for their respective terms – one was for one-year and the other was for a period of almost 14 months. This was because TSB paid Mr S interest on the second bond that was backdated to the 18 November 2022 (the start of the first bond). Mr S accepted this as a fair and reasonable remedy at the time. This resolution means that Mr S has received more interest on both his investments than what was on offer from TSB at the time, and also received two-months additional interest on the second bond as this actually ran for almost 14 months at 4.35% interest. This is despite the new evidence provided that supports Mr S didn't apply for the first bond until after the interest rate had reduced. So, I intend saying TSB doesn't need to take any further action in this case.

TSB has also paid Mr S £100 for the upset it may have caused him and refunded £34 in charges Mr S incurred when setting up the second one-year bond. I intend saying this was a fair and reasonable remedy in this regard."

TSB accepted my provisional decision without further comment. Mr S provided further comments for me to consider.

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.

Although I may not address every comment Mr S has provided to my second provisional decision, I have considered them. I will address the comments I believe are relevant in my decision. I understand Mr S will be disappointed, but I've decided to adopt my second provisional decision as my final decision which is that TSB doesn't need to do anything else to resolve the complaint.

Mr S says it's unfair that TSB should change its position now. I understand why Mr S feels this is unfair, but my decision is based on what I think is likely to have happened and it takes into account the submissions and evidence I've seen from Mr S and TSB. I accept it's unhelpful that TSB has changed its position at this stage, but my decision has to be impartial. I can't choose to ignore evidence provided before I make my final decision, particularly as both Mr S and TSB were given time to provide new comments and evidence after I issued my provisional decisions.

My second provisional decision and my final decision take a holistic view of the events surrounding the first and second bonds, and the re-investment options presented to Mr S. In my opinion the crux of this complaint is whether or not Mr S applied for the 4.35% rate in time. It follows that if he did, then my decision should take into account anything that TSB did to put matters right, if it did something wrong. However, if Mr S wasn't entitled to the 4.35% rate, but TSB paid him this rate, it's only fair and reasonable that I take into account that TSB has paid Mr S more interest than he was reasonably entitled to receive.

In my second provisional decision I referred to the evidence TSB provided about the actions it took when the interest rate changed in November 2022. I've seen supporting screenshots, and comments from TSB's Savings Team and Digital Team in this regard. These persuade me it's more likely than not the 4.35% rate wasn't available after midnight on 17 November, that TSB had taken reasonable steps to remove any reference to this rate on its website, that it had carried out reasonable checks to ensure there were no pending applications at this rate, and that it had taken steps to ensure the new rate would have been visible in multiple locations. It's possible Mr S may have seen this rate advertised somewhere else, like a comparison website for instance. However, I'm persuaded the rate wasn't available with TSB shortly after midnight and that Mr S didn't apply until 16 hours after this time.

TSB took two months to resolve Mr S's original complaint about his first bond and his follow-up investment – which became his second bond. This was clearly a disappointment to Mr S, but TSB is entitled to take a reasonable amount of time to investigate the issues within the complaint. At this time, TSB made the decision to accept there could have been a discrepancy in the change on its products page online to when the rate change happened. It went on to open a second one-year bond for Mr S at the rate it believed Mr S may have seen somewhere other than a TSB website. TSB also paid Mr S £100 for the upset it may have caused him and refunded £34 in charges Mr S incurred when setting up the second one-year bond. I'm satisfied this was a pragmatic and reasonable remedy to the complaint at the time as TSB had reason to believe Mr S had seen the rate of 4.35%.

Mr S later complained to TSB he'd been offered a higher interest rate on the maturity of the first one-year bond than what he was offered on the second one-year bond when it matured. TSB doesn't dispute this is what happened. In my second provisional decision I referred to these rates as 5.7% and 5.2% respectively. On reviewing the offer letter TSB sent Mr S dated 2 December 2023, I'm happy to make it clear that the rate of 5.2% I referred to was incorrect. The correct rate was 4.75%. I'm satisfied this doesn't have any material impact on my decision as the crux of this complaint is Mr S' view that TSB should have offered him 5.7%. TSB has now reviewed the whole complaint again and for the reasons I've outlined above it doesn't believe it needs to do anything else to resolve the complaint. Mr S says he held back the proceeds of the second one-year bond hoping that TSB would pay him the rate it would have paid if the second one-year bond had matured at the same time as the one-year bond.

I'm satisfied the previous remedy Mr S accepted made it reasonably clear the two one-year bonds had different maturity dates. Indeed, Mr S notified TSB he would accept two-months additional interest on the second one-year bond when TSB explained it couldn't match the terms of the bonds. Mr S believes TSB should have offered him the maturity rate he was offered at the end of his first one-year bond when the second bond matured. I understand this position, and I want to make it clear that I accept this would've happened if the two bonds had been aligned at the time – but they weren't. And, having considered the new evidence provided by TSB, I'm persuaded that as Mr S wasn't entitled to the 4.35% rate, it would be unfair for me to tell TSB it should have aligned the two bonds, or indeed open a one-year bond at 4.35% and allow a further significant investment at the same rate.

In his response to my second provisional decision, Mr S raises the matter of the maturity value of the first one-year bond. I addressed this matter in my second provisional decision, but to be clear, Mr S used the maturity funds in his first bond for additional personal expenditure. For this reason, I don't think it would be fair and reasonable for me to consider what could have happened to the proceeds of the first bond as this amount was never re-invested with TSB, regardless of any intentions Mr S says he had in this regard.

Mr S says it's unreasonable for me to conclude he received two-months extra interest on the second bond. However, TSB did pay Mr S interest on the second bond and backdated it to the start of the first bond – almost two months. I'm satisfied Mr S has received more interest on both his one-year bonds than the rate on offer from TSB at the time. This is despite the new evidence supporting Mr S didn’t apply for the first bond until after TSB had reduced the interest rate on its one-year bond.

My final decision

For the above reasons, I’ve decided that TSB Bank plc doesn’t need to do anything else to resolve the complaint made by Mr S.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 21 June 2024.

Paul Lawton
Ombudsman