

## **The complaint**

Ms H complains that Coventry Building Society (“CBS”) reinvested the money in her fixed rate bond into another two year fixed rate bond when she expected it to be reinvested into a one year fixed rate bond and that CBS won’t now give her access to her money which she wants to reinvest into a one year fixed rate bond with better interest.

## **What happened**

Your text here Ms H has more than one account with CBS but her complaint relates to a two year fixed rate bond she was reinvested in following the maturity of a previous two year fixed rate bond on 31 August 2022.

Ms H had telephoned CBS on 1 August 2022 CBS asking when she could access the funds in her maturing accounts and was told this was 1 September 2022. She telephoned again on 4 August 2022 and explained she wanted to close two of her accounts but wanted to leave the one with £19,000 with CBS. It sent her a telephone password reset letter to enable her to reset her password so she could instruct CBS over the phone as to what she wanted to do on maturity of her fixed rate bonds.

CBS wrote to Ms H the same day (4 August 2022) regarding the maturity options for her 2020 bond which options allowed her to close her account or reinvest in one of three fixed rate bonds, with the default option being another two year fixed rate bond if she didn’t respond.

Ms H telephoned CBS again on 25 August 2022 wanting to make sure she could withdraw money from her bonds on 1 September 2022 and was told she had until 21 September 2022 to withdraw the money. There was a discussion about the maturity options that had been sent to her for the bond maturing on 31 August 2022 but she said she had shredded these. There was also a further conversation about resetting her telephone password so she could give instructions.

CBS didn’t receive any further communication from Ms H before the maturity date and in accordance with the maturity options it had set out to her it reinvested her automatically in a further two year fixed rate bond. She thereafter transferred £19,466 into this account on 2 September 2022. CBS wrote to her on 5 September 2022 confirming she had been reinvested into a two year fixed rate bond and that the additional funds she had transferred had been added to the account.

Ms H called CBS on 5 August 2023 saying she had received maturity instructions for one of her fixed rate bonds but not the other and was informed this was because it was a two year fixed rate bond that matured in August 2024. This led her to complain as she thought she was invested in a one year bond. CBS didn’t uphold the complaint as it said she was aware of the maturity date of 31 August 2022 for her previous two year fixed rate bond and had been sent the maturity options for this. It said she had been reinvested in a two year fixed rate bond because it hadn’t heard back from her. CBS did decide that it had provided a poor service because she had got cut off when she called it and it didn’t call her back and it offered her £25 for this.

One of our investigators considered the complaint and thought it should be upheld on the basis that CBS's terms weren't fair as they didn't allow her to close the bond early. Ms H didn't agree with the investigator's opinion because he didn't award any financial loss and she argued she had suffered a loss of £600.

CBS also didn't agree with the opinion of the investigator. In short it said that the product summary and terms and conditions originally provided and all subsequent maturity correspondence and terms and conditions make it clear that it isn't possible to withdraw from, or close, the account before maturity after the 21 day cooling off period. It pointed out that Ms H instructed CBS on 8 September 2020 to withdraw £43.38 out of the fixed rate bond she had been reinvested in at that time and on 2 September 2022 transferred £19,466 into the fixed rate bond she was reinvested in at that time and said this shows she was proactive in reviewing her accounts, contrary to what the investigator suggested.

CBS also said that the interest rate on any fixed bond is determined at the outset or at maturity when reinvestment rates are decided and that the base rate of 2.5% for the fixed rate bond Ms H was reinvested into in August was competitive against a base rate of 1.75% at the time. It said that the fixed rate provides a guaranteed rate to customers by which they benefit if the base rate goes down but this obviously means that if rates go up they will be getting a lower rate than might then be available and that the fact that interest rates have increased doesn't mean the terms and conditions are no longer relevant, can be changed or are unfair.

CBS noted that the investigator has made reference to the FCA requiring that firms ensure retail consumers may cancel products just as easily as they can take them out but said this is a reference to the recent introduction of the Consumer Duty, which was after Ms H was reinvested in 2022.

As neither party agreed with the investigator, the matter was referred to me for review and decision. I issued a provisional decision explaining why I didn't think the complaint should be upheld, the findings from which are set out below

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*Having done so, I have come to a different conclusion to the investigator as I don't think this complaint should be upheld.*

*I acknowledge this will be very disappointing to Ms H who has made clear she is very unhappy with CBS's refusal to allow her access to her money so she can put this into a one year fixed rate bond paying a higher rate of interest.*

*I appreciate that she is of the view that she should be allowed to take her money when she wants and put it into whatever she wants without hindrance and that she feels that CBS is in effect holding her money against her wishes. However, she is invested in a fixed rate bond the terms of which make clear that she cannot withdraw money from the bond before maturity.*

*In the circumstances there are two main issues I need to address in relation to her investment in the bond in 2022. First whether CBS did anything wrong in investing her money into a two year fixed rate bond in 2022. Second, whether it did anything wrong in refusing to let her withdraw her money from the bond before it matures in August 2024.*

*Did CBS do anything wrong in investing Ms H's money in a two year fixed rate bond in August 2022 (the 2022 bond)?*

*In order to decide that issue I think it is necessary to briefly discuss the history behind her investment in the 2022 bond. This starts in 2012 when she first invested in a fixed rate bond (the 2012 bond) with a term of 20 months. The terms of the 2012 bond made clear that the savings in the bond would be automatically reinvested into another bond unless she instructed CBS otherwise.*

*Before the 2012 bond matured in August 2014 CBS wrote to Ms H explaining her options on maturity. These included the right to close her account or, if she wanted to reinvest, allowed her to choose from one of three fixed bond options. It also made clear that if no response was received, she would be reinvested into a one year fixed rate bond.*

*Ms H responded to CBS indicating she wanted to reinvest in a two year bond with a maturity date of 31 August 2016 (the 2014 bond). As with the 2012 bond, CBS wrote to Ms H before the 2014 bond matured to explain her options on maturity. These were along the same lines as the options available when the 2012 bond matured, allowing for closure of the account or reinvestment in one of three fixed rate bonds with the default option in this case being a two year fixed rate bond – in line with the term of the 2014 bond.*

*As Ms H didn't respond the default option came into play and she was reinvested in a two year fixed rate bond (the 2016 bond) maturing on 31 August 2018. Ms H again didn't respond when provided with her options on maturity of the 2016 bond and by default was invested in another two year fixed rate bond. The same happened in 2018, 2020 and in 2022 – in each case Ms H didn't respond when provided with her options on maturity and in each case was reinvested in another two year fixed rate bond.*

*In addition to CBS writing to Ms H each time the maturity date of each fixed rate bond was approaching, it also confirmed the reinvestment afterwards - with Ms H then having a cooling off period of 21 days in which to close her account, withdraw some money or choose another reinvestment option.*

*I am satisfied that CBS provided clear, fair, and not misleading information to Ms H both at the outset when she took out the 2012 bond and subsequently as that bond and each subsequent bond approached maturity. I am satisfied that CBS provided her with information each time she was invested in a fixed rate bond that made clear how they operated and the terms of the bond, which included that it wouldn't be possible to withdraw any money prior to maturity.*

*It appears that Ms H may be under the mistaken impression she should have been reinvested into a one year fixed rate bond in 2022 but if so she has misunderstood the position. I have seen no evidence that suggests that any such misunderstanding arose from any information provided to her by CBS. The information it provided to her in August 2022, prior to maturity of the 2020 bond, made clear what her options were and that the default option, if she provided no instruction, was that she would be reinvested in a two year fixed rate bond that matures on 31 August 2024.*

*I am also mindful that on reinvestment in previous years she had been put into a two year fixed rate bond every single time. As such she had no reason to think in 2022 she would be placed in a one year fixed rate bond for the first time since she invested in 2012 in the absence of anything that suggested this. It may well be that confusion has arisen as a result of other investments Ms H may have had at the time but if that is the case I can't say that CBS is responsible for this.*

*Did CBS do anything wrong in refusing to let Ms H withdraw her money before the maturity date?*

*I have already found that CBS did nothing wrong when it reinvested Ms H in the 2022 bond which matures on 31 August 2024 and the terms of this were clear and didn't allow for her to withdraw her money from the bond before the maturity date.*

*The investigator found that the terms of the bond as applied weren't fair or reasonable and that in not allowing Ms H to withdraw her money from the bond before the end of the two year fixed term CBS was in breach of its regulatory obligations - in particular that it hadn't treated Ms H fairly as required by the rules.*

*But consumers invest in fixed rate bonds precisely because it provides the certainty of receiving the specified fixed rate over the term of the bond regardless of what is happening in the market. If interest rates drop the consumer will benefit from a rate that they would not otherwise have been able to achieve. Conversely, if interest rates increase they may get less than they might otherwise have been able to get but that is simply the risk a consumer chooses to take when investing in a fixed rate bond. In the circumstances there is nothing unfair or unreasonable in the terms and conditions not including a condition that allows for early termination.*

*That doesn't mean a firm can't choose to include a right to terminate a fixed rate bond early within its terms – as some firms do on the basis a certain number of months interest that the firm would otherwise have received if the bond had continued is paid. However, this is a commercial decision for a firm, not something that all providers of fixed rate bonds have to allow.*

*In reaching his conclusion as to the bond terms being unfair the investigator referred to comments made by the FCA about a consumer's ability to switch or cancel products following the introduction of consumer duty rules in 2023. Having looked at what the FCA said again I have concluded that what it said isn't relevant here. This is because Mrs H's bond is a closed product and as such not caught by considerations arising from those rules.*

*I am satisfied that the terms of the fixed rate bond were otherwise fair and reasonable in the circumstances. If there had been evidence that Ms H needed the money urgently for some unforeseen personal problems which CBS hadn't taken account of it could reasonably be argued it hadn't acted fairly regardless of the terms – I note in this regard that CBS has said it would take account of such issues as financial difficulties or serious health issues, as I would expect it to do regardless of the terms.*

*However, I have seen nothing that suggests there were – or that CBS was informed of – any such issues in this case. From what Ms H has said I think it is reasonably clear she wanted access to her money not because she needed the money urgently but simply because she wanted to be able to take advantage of the better rate that had subsequently become available in a one year fixed rate bond.*

*I appreciate that my findings will be very disappointing for Mrs H but I have to make a decision that is fair and reasonable in all the circumstances and there is no evidence that CBS did anything wrong in not allowing her to come out of the bond before maturity.*

*I gave both parties the opportunity of responding. CBS had nothing further to add but Ms H responded saying she didn't agree with my findings. She provided no new information or evidence in support of her complaint.*

*Ms H did refer at length to not having received statements through the post from CBS for the financial years 2022/2023 or 2023/2024 and that she was told this was because everything had gone online.*

She said that she wanted to see proof that the letters that I referred to CBS sending to her about the bonds had been sent arguing that from her own experience businesses kept copies of letters that were never sent.

### **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 listened to all three telephone calls made by Ms H in response to my provisional decision but nothing she has said persuades me that I should change the findings in my provisional decision, which for the avoidance of doubt form part of the findings in this final decision. The only relevant argument that she raised within her calls was that she didn't receive letters CBS says were sent to her.

Ms H argues that CBS should prove that it sent her correspondence in relation to her bonds and refers to having worked in legal firms where letters that were never sent were created for client files. However, whatever her own experience with businesses she worked for, this isn't evidence that CBS didn't write to her both before maturity - with details of her maturity options each time a bond she was invested in was due to mature - and afterwards, confirming the reinvestment. It has provided copies of various such letters it says were sent to Ms H over the years and I don't accept her suggestion that these weren't sent to her.

I am not persuaded that I need CBS to provide proof of postage for the letters it has provided as I am satisfied on the available evidence that these were sent to her. If she didn't then receive them this isn't something CBS is responsible for. As well as the evidence from CBS that the letters were sent Ms H was sent annual statements showing all her accounts with CBS.

The annual statement identified the fixed rate bonds she was invested in with the maturity dates. If she had been invested in these without her knowledge and against her wishes then it is more likely than not she would have complained to CBS, and she didn't. This doesn't in my view support her argument that she didn't receive correspondence when bonds were due to mature.

I note that Ms H informed the investigator that she didn't get the annual statement for the year ended April 2023 or the year to April 2024 in support of her argument that CBS didn't write to her. However, it appears the reason she didn't receive a paper copy of the last two annual statements is because CBS took the decision to provide these online instead. Mrs C made reference to in the second of her calls following my provisional decision - expressing her unhappiness with this change. So, there was a reason she didn't receive such statements in the post.

In the circumstances Ms H not receiving the last two annual statement provides no evidence in support of her argument that CBS didn't write to her in August 2022 informing her of her maturity options or on 5 September 2022 confirming her reinvestment, as CBS said it did and as shown by the copy letters it has provided. I am therefore satisfied that it is more likely than not CBS did write to her when it says it did.

The fact that Ms H transferred £19,466 into the two year fixed rate bond she now complains about after she was reinvested in my view shows not only that she was aware that she was invested in the bond but that she wanted to invest more into it. If for some reason she thought this was a one year fixed rate bond I have seen no persuasive evidence that any such misunderstanding was the result of CBS providing unclear, unfair, or misleading information about the bond such that it should be held responsible for this.

**My final decision**

I don't uphold this complaint for the reasons I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 21 June 2024.

Philip Gibbons  
**Ombudsman**