

## **The complaint**

Mr C complains that Charter Court Financial Services Limited trading as Charter Savings Bank misled him with the information they gave him over the telephone.

## **What happened**

Mr C opened a fixed rate Individual Savings Account (ISA) with Charter, which was paying 4.55% interest. Mr C had contacted Charter and spoke to a call handler. He says he was informed by the call handler that he could have a higher rate of interest as interest rates had risen by that point, but his ISA stayed at the initial rate of interest. Mr C made a complaint to Charter.

Charter partially upheld Mr C's complaint. They said they sent him a £20 cheque. Mr C says they told him in their final responses that the money was not transferred into the new ISA within the first 14 days of it being opened, so the higher rate didn't apply, so he would have the ISA at the rate it was opened with. He wants the interest rate that he was told on the phone, and he says he was not informed of the 14 days limit until another two weeks after he made his payment. Mr C brought his complaint to our service.

Charter increased their total offer of compensation to £95. They said that on the initial phone call Mr C had with them, due to unfortunate circumstances, the conversation changed, and the call handler didn't confirm to Mr C whether the higher interest rate was an interest rate applicable to Mr C's own account or not. They said if she was able to gauge more information from Mr C, she would've more likely than not, explained to Mr C the process involved in applying for the higher rate and that the new rate wasn't automatically applicable to Mr C's account, and they acted in line with the terms of his chosen product.

Charter said in keeping with the terms of the account, new interest rates do not automatically update on existing accounts. They said Mr C had the opportunity to make an application for the higher rate before the account was funded or even when it was within the 14 days right to cancel period.

Our investigator felt the £95 offer was fair. He said Mr C applied for his account on 8 June 2023, so he didn't think it would be reasonable to assume an interest rate nearly a month later would be applicable to that account. He said the key facts document clearly stated the annual interest for the account was 4.55%. Our investigator said the fixed rate period would last from the initial deposit date, rather than the opening date, but the fixed interest rate would still be the rate advertised at the time he applied (4.55%).

Mr C asked for an ombudsman to review his complaint. He made a number of points. In summary, he said he was misled into believing his ISA was now at 5.21% interest based on the conversation he had with Charter, he was denied the opportunity to withdraw his funds within the 14 day period following his call with the second call handler he spoke to. Mr C says that Charter failed to call him in response to his complaint within three working days, or send a letter within five working days, and Charter told him they hoped to resolve his complaint within 12 working days. He says he was further denied the opportunity to withdraw his funds within the 14 day period due to the late Charter response dated 27 July 2023.

## 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.

Firstly, I'm aware that I've only summarised Mr C's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I must explain to Mr C that complaint handling by a business isn't a regulated activity and as such, the issues he's raised that relate directly to how Charter has investigated his complaint, such as how long they hoped to resolve his complaint does not come under my powers to consider. But I do note that Charter issued their final response within eight weeks of the complaint being made, which is within the relevant timeframes they must follow.

Mr C opened a two year fixed rate ISA in June 2023. I've looked at the literature that he was provided with to see if that explained what would happen with the interest and how the account would work. The Key Features and Summary Box is clear that the interest rate on the account was 4.55%. It shows *"The interest rate is fixed for 2 years from the date funds are first credited to your Fixed Rate Cash ISA (the fixed rate period)."*

Although Mr C's funds from an external account had not yet credited his ISA, there is no indication on this document that the interest rate could rise in the period between account opening and the funds being received. The indication is this wouldn't be possible with it being a *"fixed rate"* product, as in the interest rate was always fixed.

Charter give an example of the interest that could be earned on the account after 24 months on a £5,000 deposit. It shows certain assumptions. On these assumptions there is no information about if the interest rate increases (or decreases) before the funds were received, which is another indication the interest wouldn't change on the account. But while I'm persuaded that Mr C ought to have been reasonably aware the interest rate on the account he opened would remain at 4.55% and wouldn't change, I would still expect him to be told clear information when he spoke to Charter on the phone.

I've listened to the call Mr C had with Charter on 5 July 2023. The call handler confirms Mr C opened the account on 8 June (2023). Mr C asks the call handler if the interest rate is still 4.55% or if it had changed due to the Bank of England Base rate (increasing). The call handler says *"our fixed rate ISA is now at 5.21%"*. The conversation then moves onto another topic. So the call handler did say *"our fixed rate ISA"* as opposed to *"your fixed rate ISA"*. But I do think she could have been clearer to Mr C.

I say this because the call handler was aware on the phone that Mr C was awaiting the funds into his fixed rate ISA he had already opened with Charter. So while the conversation changed after she told Mr C what their fixed rate ISA was now at, it would have been prudent to explain to Mr C that his interest rate as confirmed in the Key Features document was fixed and to inform him that if he wanted the new account with the higher interest rate, then he would need to make a separate application for that issue of the two year fixed rate ISA.

I've listened to a call Mr C had with another call handler at Charter from 11 July 2023. Mr C tells the call handler *"the last time I was onto someone, they said to me that the two year fixed rate ISA had been increased from 4.55(%) to 5.21(%)"*. Mr C tells the call handler his account summary is showing 4.55%. The call handler tells Mr C that *"your account is*

4.55(%) from when you applied for that". He also tells Mr C that "you only get the rate that you actually apply for" and "it wouldn't change automatically the only way that would change is if you applied for that one at the higher rate". The call handler confirms there was no money which had come into the account yet.

The call handler tells Mr C "if there's then a new account introduced after that, err, at a higher rate, you would need to apply for that". The call handler says they don't have any fixed rate ISA's available now, but as Mr C is an existing customer he would check for him. Mr C tells the call handler he's not going to apply for another ISA.

The call handler says "with regards to the interest rate, err, there is some new accounts available for existing customers, so you could always open that new one and then not, not fund this one, err, so currently for the" Mr C tells the call handler "no" several times and tells him he's not going to change things now.

The call handler did tell Mr C the correct information. And Mr C had mentioned on the call that the account summary still showed 4.55%. The initial call handler did not say that the interest rate on Mr C's specific ISA that he held had been changed, but I think she could have been clearer on explaining to Mr C on how he could get a higher rate of interest.

It's not clear if the initial call handler was clearer about the higher interest rate on their ISA whether Mr C would have opened the new ISA or not, (which he would've needed to do to get the higher interest rate). I say this as when Mr C was told a higher interest rate than the 4.55% ISA he was currently getting on the second call, it was clear he didn't want to open a new ISA to get a higher interest rate, due to the experiences he had over the previous three years which he told the call handler about. It's also possible that the different ISA rate which was quoted on the 5 July 2023 might not have been available if Mr C had closed his ISA and tried to open the new ISA. I say this as the accounts aren't offered indefinitely and within the days between Mr C's two phone calls, it had already been removed from sale.

The Key Features mention the following about closing an ISA: "If, within 14 days of opening your Account, you would like to cancel it, let us know" and "If you do not cancel within the 14 day period, this Account will continue until the end of any fixed rate period or you or we close this Account. If you cancel after the 14 day period there may be a charge applied by way of loss of interest on closure, or for any withdrawal or transfer."

So unlike the duration of the fixed two years being from when Charter receive the funds, the cancellation period was clear that it was within 14 days of the account being opened. When Mr C had his call with Charter on 5 July 2023, this time had already passed, therefore the same applied when he had the second call on 11 July 2023. But on this call, Mr C hadn't received the funds into the account, so he could have closed the account without charge, as the penalty on the account would have been based on his balance – which would have been £0 if no money had credited to his ISA yet.

I've considered what would be a fair outcome for this complaint. I'm unable to ask Charter to pay Mr C 5.21% on his ISA. I know this will strongly disappoint him, but the Key Features were clear his interest rate was fixed. Mr C's account summary also showed the 4.55% even after his initial call, and Mr C was told clearer information on his second call. It was explained to him how he could close the two year ISA and open a higher rate of interest on this call, but Mr C did not take the steps to do this – although I can empathise with why he didn't want to do this based on what he's said about the last few years.

But I do think he is due compensation on the basis that the information should have been clearer to him on the first call. Although Mr C would have been unlikely to close his ISA and open a new one based on what happened on the second call, he still should have been told

how to do this, and the call handler could have been clearer the higher interest rate didn't apply to his account.

Charter offered Mr C a total of £95 compensation. I'm persuaded that this is fair. Mr C was audibly distressed when the second call handler told him the clear information which the first call handler should have done. The compensation is in line with our awards for what happened here. I'm aware Charter have said they sent Mr C a cheque for £20. But I'm conscious that as this was a cheque, and if Mr C has not deposited this, then this cheque may have expired/his bank account provider may not accept this due to the time that's elapsed since it was issued.

So if Mr C hasn't deposited the cheque, then I'm satisfied that it would be fair for Charter to cancel the original cheque and reissue him another cheque for the total compensation of £95 (or if they have the facility to make a payment direct to an account of Mr C's choosing, then they could make a direct payment). So I intend to ask Charter to put things right for Mr C.

### **Putting things right**

Charter have suggested that they pay Mr C a further £75 compensation to total £95 compensation for distress and inconvenience, which I think is reasonable in the circumstances.

### **My final decision**

I uphold this complaint in part. Charter Court Financial Services Limited trading as Charter Savings Bank should pay Mr C a total of £95 (less anything they have already paid him) for distress and inconvenience. If they have previously sent Mr C a cheque for £20 and this has not cleared, then they may want to cancel the original and reissue another cheque (or if they have the facility to make a payment direct to an account of Mr C's choosing, then they could make a direct payment), for the total compensation of £95.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 1 July 2024.

Gregory Sloanes  
**Ombudsman**