

The complaint

Mr L has complained that Vanguard Asset Management, Ltd (Vanguard) requested a full transfer of his cash Individual Savings Account (ISA) instead of the partial transfer he says he'd instructed. Mr L claims that he's suffered a financial loss as a result.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision, which I issued last month.

My provisional decision said:

Mr L held a cash ISA. I will refer to the provider of Mr L's cash ISA as Firm A in this decision.

Mr L completed an online application to transfer his cash ISA to Vanguard on 2 August 2022. Mr L says that this application was to make a partial transfer of £10,000 from Firm A to Vanguard, and was not for a full transfer of his whole Firm A cash ISA.

On 2 August 2022 Vanguard wrote to Mr L to thank him for his ISA application. Vanguard said that as Firm A didn't offer electronic ISA transfers Mr L would need to print off and then sign and return to Vanguard an attached "Transfer Authority Form" before they could start his ISA transfer.

Mr L signed and returned the "Transfer Authority Form" to Vanguard as requested and on 10 August 2022 Firm A transferred all of Mr L's cash ISA to Vanguard. The transfer value sent to Vanguard by Firm A was £32,008.76.

Firm A wrote to Vanguard, enclosing a cheque for £32,008.76 and on the same day they wrote to Mr L to tell him that this sum had been transferred to Vanguard. Mr L has said that he didn't receive this letter until 15 August 2022.

On 16 August 2022 Mr L telephoned Vanguard to say that he'd received the above letter from Firm A and asked Vanguard to return all the monies transferred to be returned to Firm A. Mr L was told by Vanguard during this call that the full £32,008.76 would be returned to Firm A.

On 22 August 2022 Vanguard wrote to Mr L and enclosed a contract note for the investment transaction that they'd completed for him. The contract note stated that Vanguard had invested £32,008.76 into the Vanguard LifeStrategy 80% Equity Fund - A GBP Accumulation Shares. The "transaction date" is shown as 19 August 2022.

Vanguard telephoned Mr L on 25 August 2022 and told him that units in the Vanguard LifeStrategy 80% Equity Fund - A GBP Accumulation Shares were being sold and that once the sale had settled then Vanguard would return the sale proceeds to Firm A. Vanguard also told Mr L that he didn't have to complete a transfer request form to have the monies transferred back to Firm A.

On 1 September 2022 Vanguard sent Mr L a further contract note. This note explained that they'd sold Mr L's holdings in the Vanguard LifeStrategy 80% Equity Fund - A GBP Accumulation Shares and that the net proceeds realised was £30,929.01.

On 24 October 2022 Vanguard completed the transfer of these net proceeds of £30,929.01 back to Firm A.

Mr L complained to Vanguard. He said that he'd only authorised them to transfer £10,000 from his Firm A cash ISA and not his whole cash ISA. Mr L claimed that as Vanguard had received a transfer value of £32,008.76 from Firm A, but had then only transferred back £30,929.01 to them, he suffered a loss of £1,079.75 (£32,008.76 - £30,929.01).

Mr L has also said that he wanted to use the cash that he says should have remained with Firm A to buy a new car. He has complained that as monies were not transferred back to Firm A until 24 October 2022, he was unable to make this purchase. Mr L has said that as a result he'd incurred costs of £1,103.18 getting his existing car through its MOT. Mr L has said that if he'd been able to buy a new car as he'd planned then he wouldn't have incurred these additional costs.

Vanguard responded to Mr L's complaint on 28 October 2022. Vanguard said that they'd acted in line with the transfer instructions they'd received from Mr L and that whilst the transfer amount they'd received from Firm A differed to what they were expecting, they'd contacted Firm A who had confirmed that the amount sent was correct, and this amount was then invested. Vanguard didn't uphold Mr L's complaint.

However, Vanguard said that they'd delayed the transfer of Mr L's ISA back to Firm A. This was because they hadn't told Mr L that he needed to complete a new request form with Firm A for the transfer to proceed. Vanguard apologised for this and said that they'd make a payment of £75 to Mr L "for the delays we caused to the completion of your transfer and for the poor service you received".

Vanguard then wrote to Mr L on 1 December 2022. Vanguard again didn't uphold Mr L's complaint but went on to say: "I have also identified that the root cause of our delay in transferring the available cash from your ISA once the sell-down had completed to (Firm A) was because we advised you that you wouldn't need to resubmit your transfer request with your current provider. I'm very sorry we didn't realise this would be a requirement from the outset, especially after it was confirmed to you initially".

Vanguard went on to say: "I'm sorry you had to pay an additional amount of £1,103.18 for your current car to pass its MOT checks. You had highlighted in your initial calls that part of your ISA was to pay for a new vehicle so this wouldn't be applicable, I would be grateful if you could provide us with evidence of the costs incurred to make your current vehicle acceptable to pass the MOT. This would be so we can consider covering the costs you have incurred because of the poor service you have received from Vanguard. Please note, we cannot guarantee this until sufficient proof has been received".

Vanguard also said that to compensate Mr L for "the trouble and upset we caused" they would pay Mr L £200 in addition to the £75 they'd already promised.

Mr L wasn't happy with Vanguard's response, so he referred his complaint to the Financial Ombudsman Service. One of our Investigators reviewed Mr L's complaint. Their view was that Vanguard hadn't done anything wrong so didn't uphold Mr L's complaint.

Mr L didn't agree with our Investigator's view so has asked for his complaint to be referred to an Ombudsman.

What I've provisionally 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.

Mr L first requested the transfer of his Firm A ISA to Vanguard through Vanguard's website. This service has asked Vanguard for a screenshot of the online application completed by Mr L but unfortunately Vanguard have said that this is not available.

Vanguard have however provided details of the questions that Mr L would have answered when he completed this online application. Vanguard has said that these are:

- "When did you contribute to your ISA?", for which the possible responses are "Current tax year", "Previous tax years" or "BOTH existing and previous tax years".
- "Is this a full or partial ISA transfer?", for which the possible answers are "Full" or "Partial".
- "Please indicate the approximate value of the ISA you are transferring". A box is available in which Mr L could've entered this value.

Vanguard told Mr L that Firm A didn't offer electronic ISA transfers so they sent him a "Transfer Authority Form" to sign and return. Vanguard has provided a copy of the transfer authority form signed and returned by Mr L. Vanguard has said that the form "was prepopulated based on the selection Mr (L) made during the online transfer journey".

I think that Vanguard is saying that they'd already filled in the form for Mr L so that all he had to do was sign and return the form to them, which Mr L did.

The "Transfer Authority Form" said the following:

"ISA transfer authority By signing this form I authorise you, the Plan Manager, to:

- **Transfer my Individual Savings Account (ISA), as specified below, to Vanguard".**

The form then set out six option boxes which were: "**Vanguard funds**", "**Cash**", "**Both**" and then "**Current tax year ISA** - the balance of my ISA from 6 April", "**Previous tax years** - the balance of my ISA before 6 April", "**My entire ISA**".

The boxes for "**Cash**" and "**Previous tax years** - the balance of my ISA before 6 April" had been ticked by Vanguard. Mr L signed this form and sent it back to Vanguard.

Vanguard has said that the details they entered onto the "Transfer Authority Form" were based on the information that Mr L had given when he completed his initial online application. But I don't think that the questions on the online application and the "Transfer Authority Form" are the same. The "Transfer Authority Form" doesn't ask Mr L if he wants to make a full or partial transfer of his ISA, nor does it ask him to indicate the approximate value of the ISA he's transferring.

I also think that as the full value of Mr L's Firm A ISA was £32,008.76, but he only wanted to transfer £10,000, then it's unlikely that Mr L would have said on his initial online application that he wanted to make a full transfer of his ISA. Instead, I think it's reasonable to assume that Mr L would have said that he wanted to make a partial transfer of his Firm A ISA.

Vanguard has said that when they received the transfer payment of £32,008.76, they contacted Firm A to question the amount they'd received as it was more than the transfer value that they'd been expecting. I therefore think it's reasonable to assume that when Mr L completed his initial online application, he had said that the approximate value of the portion of his ISA he was transferring was £10,000, and it was this amount that Vanguard was expecting to receive.

Vanguard didn't contact Mr L to query why the amount they'd received from Firm A was so much higher than the transfer value they'd been expecting. As the amount Vanguard received from Firm A was more than three times higher than what they'd been expecting I think it would have been reasonable for them to have queried this with Mr L.

I also think it's reasonable that in sending Mr L the prepopulated form, with the answers that Vanguard had ticked, Vanguard should have known this wouldn't result in the partial transfer of £10,000 which Vanguard say they were expecting.

Mr L signed the "Transfer Authority Form" that Vanguard sent to him, and I think that this form did authorise Vanguard to request the full balance of Mr L's Firm A ISA from previous tax years. However, this instruction had been completed by Vanguard.

I therefore believe that whilst Mr L did sign a form which gave Vanguard authority to request a transfer of all the cash he held with Firm A, Vanguard had told Mr L that this form was needed for his requested transfer to proceed. I think that Mr L's requested transfer was only for £10,000.

I therefore think that on balance it's likely that the instruction on the "Transfer Authority Form" that Vanguard sent to Mr L to sign, didn't match the instruction that Mr L had given to Vanguard when he completed his initial online application.

I've considered whether Mr L should either have refused to sign the "Transfer Authority Form" sent to him by Vanguard or to have contacted Vanguard to query the instruction entered on the form. But as I think that Mr L had already completed an online application to make a partial transfer of £10,000 from his Firm A ISA and was then told by Vanguard to sign and return the "Transfer Authority Form" for his transfer to proceed then I don't think it unreasonable that Mr L did sign and return the form, as Vanguard had asked him to do.

I also think that the "Transfer Authority Form" isn't explicit that the whole £32,008.76 held in Mr L's Firm A ISA will be transferred to Vanguard. Instead, it just says cash from previous tax years will be transferred. As I think, on balance, it likely that Mr L had requested a £10,000 partial transfer when he completed his online form, then I also think it reasonable that Mr L would have assumed that signing the "Transfer Authority Form" would allow Vanguard to request a transfer of £10,000 from his previous tax years ISA contributions.

My view is therefore that it was a result of the information that Vanguard entered onto the "Transfer Authority Form", and by not asking Mr L to add a specific instruction to the form to request a cash transfer of £10,000, that Mr L's total Firm A ISA ended up being transferred.

Vanguard has sent recordings of Mr L's telephone calls with them, and I've listened carefully to these recordings. Mr L telephoned Vanguard on 16 August 2022. During this call Mr L asked Vanguard to return all the monies transferred to be returned to Firm A. In response Vanguard told Mr L that the full transfer of £32,008.76 would be returned to Firm A.

But this didn't happen. Instead, Vanguard wrote to Mr L on 22 August 2022 with a contract note for the investment transaction that they'd completed for him. The contract note stated that Vanguard had invested £32,008.76 into the Vanguard LifeStrategy 80% Equity Fund - A GBP Accumulation Shares. The transaction date on the contract note is shown as 19 August 2022. However, Mr L had telephoned Vanguard on 16 August 2022 to ask that the full transfer of £32,008.76 be returned to Firm A and was told by Vanguard that this would happen.

I think it reasonable that as Mr L had requested the return of his full transfer on 16 August 2022 then Vanguard shouldn't have completed transaction to invest Mr L's transfer value on 19 August 2022. Instead, I believe that it would have been reasonable for Vanguard to have not invested Mr L's transfer value and then return the full transfer value to Firm A, as they had told Mr L they would.

Vanguard has said that their ISA Terms and Conditions don't allow a partial ISA transfer to be made. Section 12.3.1 of Vanguard's Terms and Conditions, dated May 2022, says the following:

"An ISA opened during the current Year must be transferred in full, and a Junior ISA must always be fully transferred."

Mr L wasn't transferring a Junior ISA. And the instruction that Mr L was sent to sign by Vanguard said that Mr L was transferring from previous tax years, not the current tax year. I think this meant that the ISA Mr L was transferring to Vanguard wasn't "opened during the current tax year". The initial online application that Mr L initially completed asked if his transfer was full or partial. This indicates to me that Mr L was able to make a partial ISA transfer to Vanguard as he wanted.

I therefore think that Vanguard didn't act reasonably or fairly when they requested the transfer of all Mr L's Firm A ISA or when they invested this into their LifeStrategy 80% Equity Fund. I think that Mr L had initially requested online that a partial transfer of £10,000 only be made to Vanguard. On discovering that all of his Firm A ISA had been transferred Mr L requested that his full transfer value should be returned to Firm A and was told by Vanguard this would happen. Instead, Vanguard went ahead and invested Mr L's transfer value and I believe that this resulted in a financial loss for him.

Vanguard telephoned Mr L on 25 August 2022 and told him that it would take some weeks for them to return the transfer value to Firm A. Mr L was also told that he didn't have to take any action for the transfer back to complete, but Vanguard has subsequently admitted that Mr L should have been told he needed to complete a transfer request with Firm A. Vanguard has now said they'll pay Mr L £275 for "the trouble and upset we caused".

Vanguard told Mr L on 1 December 2022 that if he provided evidence of the additional amount of £1,103.18 he'd paid for his car to pass it's MOT checks they would "consider covering the costs you have incurred because of the poor service you have received from Vanguard". Vanguard also said: "Please note, we cannot guarantee this until sufficient proof has been received".

Mr L did provide Vanguard with copies of his invoices and receipts as Vanguard had asked, but Vanguard did not respond to Mr L's request for these costs to be reimbursed. Vanguard has now told this service that Mr L did upload evidence of these costs. However, upon reviewing the information that Mr L sent, Vanguard has decided that these costs would not be eligible to be compensated. Vanguard say this is because they have no evidence of Mr L's intention to purchase a new car and he would've incurred the costs of his car passing it's MOT regardless of the delays in returning the monies.

Vanguard also say that Mr L could've withdrawn the money he needed from Vanguard before they transferred his cash back to Firm A. Vanguard say that this option was offered to him during a telephone conversation on 22 August 2022. However, Vanguard has said that they didn't communicate their decision not to refund these car costs to Mr L clearly and have said that they will offer Mr L an additional £50 "goodwill payment" as a result.

I've not received a recording of a telephone call that Mr L had with Vanguard on 22 August 2022. I have received a recording of a telephone conversation between Mr L and Vanguard on 25 August 2022. During this telephone call Mr L tells Vanguard that he needs some of the money transferred from Firm A to buy a new car. Mr L is told that Vanguard is working on the return of his transfer value back to Firm A.

Mr L is told by Vanguard that the transfer back to Firm A is being "worked on pretty quickly". And "if you said to me days weeks months I would say weeks".

The receipts Mr L sent to Vanguard are dated 3 October 2022, 15 October 2022 and 24 October 2022. I think it reasonable to assume from Vanguard comments in the telephone call of 25 August 2022 that Mr L would've thought that his transfer would be returned to Firm A in good time ahead of when these invoices would arise. However, because of Vanguard's errors, Mr L's ISA wasn't returned to Firm A until 24 October 2022.

As I've said above, I haven't received a recording of a telephone call between Mr L and Vanguard on 22 August 2022, during which Vanguard say that they offered to send Mr L cash before they completed the return of his transfer value to Firm A, but Mr L declined this offer.

However, given the comments that Vanguard made to Mr L during his telephone conversation with them on 25 August 2022 I think that Vanguard gave Mr L the expectation that his transfer would be returned to Firm A before he needed the money to buy a new car. Mr L had also been previously told on 16 August 2022 that his transfer would be returned to Firm A in full.

I therefore don't think it unreasonable that when Vanguard offered Mr L the option of returning money to him directly, Mr L declined this offer.

I therefore think that Mr L did incur additional expenses due to the delay in Vanguard returning his transfer value back to Firm A.

Putting things right

In my provisional decision I'd then set out details on how I thought Vanguard should put things right for Mr L.

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.

Both Mr L and Vanguard have responded to my provisional decision.

Mr L has replied to say that he has no new evidence to add to my provisional decision. However, Mr L has stressed that when he applied online for a Stocks and Shares ISA with Vanguard in August 2022 he didn't instruct Vanguard to make a full ISA transfer. Mr L has added that if the online application process had said that Vanguard was unable to accept partial ISA transfers then he would not have continued with his transfer application.

Mr L has also reiterated that the ISA transfer form that he signed and posted back to Vanguard made no reference to a full ISA transfer.

Vanguard has said that they've used a test system to replicate their online journey to demonstrate that the transfer authority form generated by Mr L was for a full transfer request. Vanguard has also provided new evidence to show that the transfer form signed by Mr L would have been automatically produced by their system based on Mr L selecting a full ISA, and not a partial ISA, transfer.

Vanguard has also said they only allow in-specie partial transfers, and therefore don't allow partial cash transfers. They've also produced new evidence of the transfer form that would be generated had Mr L selected a partial transfer when he completed his online instruction.

Vanguard has gone on to say that their prepopulated transfer forms are *"system generated without any human intervention so there cannot be any human error involved."*

Finally, Vanguard has provided a response from their IT team, which says that a full transfer was requested, together with a screenshot from their website which they say explains the difference between a full and partial transfer.

I note that this screenshot shows an information button next to the question *"Is this a full or partial ISA transfer"* which says *"A 'full' transfer will move all holdings. A 'partial' transfer will just move Vanguard holdings."*

The screenshot also shows a *"Partial"* transfer option selected, which goes on to say *"For a partial transfer the following will happen:"*

- *Any Vanguard funds that you hold with your current provider will be transferred across as units or shares into your new account.*
- *Any non-Vanguard funds or cash that you hold with your current provider will not be transferred over."*

Mr L held a cash ISA with Firm A and therefore didn't hold any Vanguard funds which were to be transferred in specie. I therefore think it's reasonable to conclude that if Mr L had read the above information, he'd have understood that a partial transfer would mean his cash would remain with Firm A and would not have been transferred over.

Having examined the additional and new evidence provided by Vanguard, I think that on balance it's likely that Mr L did select the option of a *"full transfer"* when he completed his online form and said that the amount being transferred would be £10,000. I do however note Mr L's comments that he is certain that he only instructed Vanguard to complete a partial ISA transfer.

Mr L has said that he wanted to complete a partial transfer of £10,000 from his Firm A cash ISA, and that the remaining balance of £22,008.76 (£32,008.76 - £10,000) should stay with Firm A. I think it likely that this was the transaction that Mr L did want to complete, I say this because as soon as he discovered that Firm A had transferred the whole of his cash ISA, he contacted Vanguard and asked them to reverse the transfer.

Vanguard has said that they don't accept a partial cash ISA transfer. I think this meant that Vanguard was unable to process the transaction that Mr L says he wanted to complete. As I've said above, I think this was a partial cash ISA transfer of £10,000.

Mr L has complained that Vanguard didn't contact him when they received the transfer value of £32,008.76 from Firm A. This is because he'd said the approximate value of his ISA to be transferred was £10,000. Instead, Vanguard only contacted Firm A.

As Mr L had indicated that the approximate value to be transferred was £10,000, but instead £32,008.76 was received, I don't think it would've been unreasonable for Vanguard to have contacted Mr L to question the amount they'd received, as it was more than three times the amount that Mr L had entered on his online application.

When Mr L discovered that all of his Firm A cash ISA had been transferred, he telephoned Vanguard on 16 August 2022. During this call Mr L asked Vanguard to return all the monies transferred to be returned to Firm A. In response Vanguard told Mr L that the full transfer of £32,008.76 would be returned to Firm A.

But, as I said in my provisional decision, this didn't happen. Instead, Vanguard wrote to Mr L on 22 August 2022 with a contract note for the investment transaction that they'd completed for him. The contract note stated that Vanguard had invested £32,008.76 into the Vanguard LifeStrategy 80% Equity Fund - A GBP Accumulation Shares.

The transaction date on the contract note is shown as 19 August 2022. However, Mr L had telephoned Vanguard on 16 August 2022 to ask that the full transfer of £32,008.76 be returned to Firm A and was told by Vanguard that this would happen.

I think it reasonable that as Mr L had requested the return of his full transfer on 16 August 2022 then Vanguard should not have completed a transaction to invest Mr L's transfer value on 19 August 2022. Instead, I believe that it would have been reasonable for Vanguard to have returned the full transfer value to Firm A, as they had told Mr L they would, without investing the full transfer value.

I think that had Vanguard done this then Mr L would've had his full £32,008.76 returned promptly to his Firm A ISA, without any investment being made into the Vanguard LifeStrategy 80% Equity Fund - A GBP Accumulation Shares. I think that Mr L would also have had monies available in his Firm A ISA in time to use to buy a new car, as he's said he wanted.

I therefore think that Vanguard was at fault for investing Mr L's transfer value into the Vanguard LifeStrategy 80% Equity Fund - A GBP Accumulation Shares after they'd told Mr L that they would return his full transfer value back to Firm A.

As I'd set out in my provisional decision, I also think that Vanguard was responsible for delays in sending transfer monies back to Firm A.

I've therefore decided to uphold Mr L's complaint.

Putting things right

I now turn to how Mr L should be compensated for the errors identified above.

For the reasons given, I'm satisfied that Vanguard didn't act reasonably in not returning the full transfer value to Firm A, as they'd told Mr L they would. I therefore think that a reasonable approach would be for Vanguard to put Mr L back in the position he would have been in, as far as is reasonably possible, had it not been their errors.

Mr L has said that he wanted to complete a partial transfer of £10,000 to Vanguard and for the remainder of his cash ISA to stay with Firm A. I think this is the transaction that Mr L wanted to complete, which would've meant that Mr L would then have had two ISAs, one with Vanguard and one with Firm A.

However, Vanguard has now confirmed that this transaction wouldn't have been possible, as they are unable to accept a partial cash ISA transfer.

Mr L was told by Vanguard on 16 August 2022 that his transfer would be returned to Firm A in full. I think that it would have been reasonable for Vanguard to have done this without proceeding to invest Mr L's transfer value. I believe a period of five working days would be reasonable for Vanguard to have completed this transfer back to Firm A. This would mean that Mr L's transfer would have been received at Firm A on 23 August 2022. This is the end date.

Vanguard received a transfer value of £32,008.76 from Firm A but transferred back to Firm A £30,929.01. I think that this meant Mr L suffered a loss of £1,079.75 (£32,008.76 - £30,929.01). I think that Vanguard should compensate Mr L for this loss. Interest should also be paid on this loss, calculated from the end date to the date of settlement at 8% simple.

I also think it reasonable that Vanguard should compensate Mr L for the additional costs that he incurred due to their errors. Mr L has already sent Vanguard invoices to evidence these additional costs, which total £1,103.18. Interest should also be paid on these costs, calculated from the date of each invoice to the date of settlement at 8% simple.

I think it likely that Mr L will have suffered distress and inconvenience due to Vanguard's errors. Vanguard has already offered to pay Mr L £325 in total to compensate him for their poor service, which I think is reasonable. Vanguard should therefore now pay this amount to Mr L, have they not already done so.

My final decision

My final decision is that I uphold Mr L's complaint against Vanguard Asset Management, Ltd and that Vanguard Asset Management, Ltd should compensate Mr L as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 2 July 2024.

Ian Barton
Ombudsman