

## The complaint

Mr W complains that Nutmeg Saving and Investment Limited (*'Nutmeg'*) improperly set up a shares-based junior ISA (*'JISA'*) on behalf of his son, Mr B, by firstly failing to invest the deposited funds promptly, and by secondly delaying the return of those funds after he closed the account. Mr W says Nutmeg did not make the investment schedule process clear to him, and the impact of its actions meant that the funds remained uninvested for a notable period.

To resolve the complaint, Mr W feels Nutmeg ought to provide an apology as well as compensation for its poor customer service, its failure to explain the funding process, the impact of the funds being out of the market, and the effort he has spent on the matter since he has now had to open up a JISA for Mr B with a different business.

## What happened

Mr W opened the JISA on Sunday 25 February 2024, making payment of £100 using a debit card. This payment cleared and was received by Nutmeg on 28 February 2024 and invested the following working day, 29 February 2024.

A further monthly £50 deposit was set up using a direct debit mandate at the same time as the initial payment. The first direct debit payment was taken on 5 March 2024 and invested by Nutmeg on 7 March 2024.

In the early morning of 28 February 2024, Mr W contacted Nutmeg on its chat facility, asking why the direct debit had been showing on Mr B's JISA as 'pending' for three days.

Later that day, Nutmeg replied – it explained that the initial direct debit could take up to ten days to process, and thereafter it would be taken on or shortly after the 1<sup>st</sup> of each month, as agreed.

Mr W replied explaining that his concern wasn't about the £50 direct debit payment, but the initial £100 which did not show on Mr B's account.

Nutmeg sent a further response the same day which said it could see the £100 payment was pending, and it would be invested the next day, 29 February 2024. That was because its trading days were bi-weekly – on Mondays and Thursdays.

On the morning of 29 February 2024, Mr W noted the £100 was still showing as pending. Two hours later, Mr W complained, noting his experience had been awful and he wanted to close the JISA.

Nutmeg asked Mr W if he wanted to raise a complaint. It said the £100 had been invested and would show as such by the end of the business day in Mr B's account. It said as Mr W was within a 30-day cooling off period, he could close the JISA. Nutmeg asked Mr W to confirm if he wanted to close the JISA or allow the funds to settle as they had now been invested.

Mr W didn't reply about the account closure. He did note that he did want a complaint to be

raised, because he felt leaving funds uninvested for four days was unacceptable.

On 1 March 2024, Nutmeg rejected the complaint. It issued Mr W a final response letter in which it said:

- It had not found any errors in its processing of the JISA payment.
- Debit card payments could take up to three business days to appear in the account and it had no way to expedite that timeframe.
- Once the payment arrives in an account, it showed a pending transaction as “*new cash to be invested*”; this would be invested in the next bi-weekly trading cycle.
- It had told Mr W of the timeframe from the outset, as confirmation of its trading cycle was included in its online support information as well as within the JISA terms and conditions.
- It told Mr W that if he wished to close the account within the 30-day cooling off period, he should inform Nutmeg and it would process the closure for him.

On 21 March 2024, Mr W sent a further message to Nutmeg asking for it to withdraw the funds from the JISA investment pot and close it.

Nutmeg accordingly closed the JISA. It sent Mr W two messages on 22 March 2024 in which it explained that it had cancelled the direct debit, but Mr W should cancel his direct debit authority with his bank to prevent any further payment being made. Nutmeg also said the withdrawal instruction was now in place and the funds would be returned to source within the next 7 business days.

On 4 April 2024, Mr W brought the complaint to this service. He said the funds hadn't been invested until 7 March 2024, and this was unacceptable. Further, the promised refund of the invested funds following closure of the JISA hadn't been made.

Nutmeg confirmed it had failed to provide a refund as promised within the agreed timescale. It said it had since made the payment to Mr W, but not until it was notified by our service, and the payment was issued on 17 May 2024.

Nutmeg offered £100 compensation for its failure to return the JISA funds as agreed.

An investigator then reviewed the complaint and felt it should be upheld in part. In respect of the timescales for the investment, he did not believe Nutmeg had done anything wrong. It had told Mr W of the expected investment timescale, and he had chosen to go ahead with the JISA application.

However, in respect of the delayed return of the investment funds, the investigator agreed that Nutmeg should compensate Mr W for the delay – it had promised to return the funds and failed to do so. For that delay, he agreed the proposed compensation of £100 was fair.

Mr W disagreed. He said that the fact Nutmeg only returned the money after a complaint was received wasn't acceptable and risked fatally undermining the industry. He also felt that a 'fine' of £100 wouldn't incentivise Nutmeg to improve its behaviour or standards.

As our investigator wasn't prepared to change his view on the complaint, Mr W asked for it to be referred to an ombudsman.

Nutmeg didn't have anything further to add.

## 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 thank the parties for their considerable patience whilst this matter has awaited an ombudsman's decision. Whilst I know this decision will not be what Mr W has hoped for, I cannot agree that this complaint should succeed on the grounds he has suggested. I do however believe that the complaint ought to be upheld in part, on the same basis put forward by our investigator. I'll explain my reasons for reaching that conclusion below.

It's important for me to point out that we do not act in the capacity of a regulator. That remit falls to the Financial Conduct Authority ('FCA'), where it may look at wider issues governing how businesses conduct their operations or exercise what may be commercial judgment on the provision of a particular financial service. Our role is to investigate disputes and resolve complaints informally, whilst taking into account relevant laws, regulations, and best practice. Accordingly, in reaching my decision, I'll focus on the issues I believe to be central to the complaint to decide what I think is fair and reasonable in all the circumstances.

The complaint comprises two main aspects, which I've set out as headings below.

### Timescale of the investment

Mr W feels that Nutmeg's scheduled trading days were not properly set out to him when he applied for the JISA. Primarily, he submits that if he had known of the bi-weekly – Monday and Thursday – trading days, he'd have invested the funds for Mr B elsewhere.

However, I believe Nutmeg did take appropriate steps to make Mr W aware of the time it would take to invest the funds. Firstly, on applying for the JISA Mr W was shown two means of payment – bank transfer, or debit card. I have seen the application page presented to Mr W and each of the options set out their clear, individual timescales.

For debit cards, it said, "*invested in 3-5 business days*" and for bank transfer it said, "*invested in 1-3 business days*". The reason for the longer period in respect of debit cards was because Nutmeg relies on a third party to process card payments, and therefore the cleared funds take longer to receive ahead of the trading days.

I have carefully considered Mr W's concerns, but I am satisfied Nutmeg made the timescales clear on application. Further, it provided Mr W with terms and conditions for the JISA. Those terms say:

#### *"6      Paying amounts into your Portfolio*

- 6.4      When you make a payment by debit card or Direct Debit, your money will be held in our name with a Payment Service Provider (PSP) of our choice and we will take reasonable steps to ensure your money is segregated from the PSP's assets. The PSP will typically transfer your money to us within three business days. We will allocate amounts to your Portfolio only once we have received cleared funds and all the information we need to do so."*

On opening the account online, Mr W was supplied with a copy of the terms and conditions. He also ticked a declaration which set out "*I confirm that the information I provided herein is correct and I agree to the Nutmeg Terms and Conditions*". I therefore do not find Nutmeg unfair to rely on the terms I've set out above.

Nutmeg received the funds on the third working day after Mr W made the debit card payment, and it invested the £100 on the next working day – which was the earliest available trading day. This is in line with the terms agreed by the parties. It follows that I don't find Nutmeg to have behaved unfairly or unreasonably in respect of this complaint point. Nor do I consider that Mr B has suffered any financial loss due to the timescale of the funds being invested, as Mr W has suggested.

#### Return of the funds following account closure

Mr W gave Nutmeg a clear instruction to close the JISA when he contacted it on the chat facility on 21 March 2024. Accordingly, Nutmeg confirmed on 22 March 2024 that the return of the funds would be completed within 10 working days – so by 2 April 2024 at the latest. However, it failed to make the payment, and the funds were in fact returned over six weeks later, on 17 May 2024.

Nutmeg acted contrary to the agreed timescale and standard set out for the return of invested funds following a confirmed account closure request. Though Mr W has now received a full return of the money invested, I agree that the delay was not reasonable in the circumstances. Nutmeg's actions have caused frustration and upset to Mr W.

As well as putting right any financial losses in a complaint (though there are none in this circumstance), we also consider the emotional or practical impact of any errors on a complainant. I know Mr W feels that the amount proposed by Nutmeg is not sufficient. However, in making awards of this nature, we do not fine or punish businesses. As I have already set out earlier in this decision, that regulatory role falls to the FCA.

It may be helpful for Mr W to review to the guidance available on our website around the amounts and types of awards made in instances of upset, trouble, inconvenience and distress caused by businesses in the complaints we see at this service.

Considering the impact of the error, I believe the proposed payment of £100 is reasonable in circumstances where Mr W waited several weeks for Mr B's JISA funds to be returned to him in full, which caused notable upset and frustration to him (noting Mr W is a complainant in his own right as these were his funds, though the JISA is in the name of his son). However, I note Mr W was otherwise able to set up a JISA for Mr B with a different business, and I do not believe the delay otherwise impacted that decision. Overall, £100 is an amount I believe appropriate for the impact of Nutmeg's error, which caused Mr W short term frustration and disappointment in relation to the return of the funds for Mr B's investment.

#### **Putting things right**

I believe that Nutmeg has now taken reasonable steps to resolve Mr B's complaint, by recognising its error as well as proposing to pay compensation for the impact of the mistake in delaying the return of the invested JISA funds which were due to Mr W. For the reasons set out above, this total offer is fair in all the circumstances. So, my decision is that Nutmeg should pay £100 to Mr W on behalf of Mr B, as it has not done so already.

#### **My final decision**

For the reasons explained, I uphold this complaint in part. I direct Nutmeg Saving and Investment Limited to pay Mr W (on behalf of Mr B) £100. I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W on behalf of B to accept or reject my decision before 16 April 2025.

Jo Storey  
**Ombudsman**