

The complaint

Ms H complains about Coventry Building Society (CBS) after she requested an interest instruction amendment. Ms H is also unhappy about an early closure charge for her fixed rate ISA.

What happened

In March 2024, Ms H contacted CBS to instruct them to transfer the monthly interest from her fixed rate ISA into a second account she held with them but only from April. In error, CBS made the change from the current month which was not what Ms H requested. As a consequence, Ms H transferred the interest from the second account to a third account she held with CBS. The second account from which Ms H transferred the interest only allowed three penalty-free withdrawals per year and this counted as one. As this withdrawal was correcting an error of CBS, Ms H contacted them who agreed that Ms H could make a fourth penalty-free withdrawal but she would have to contact them by telephone with a reference number, so they could ensure their system processed the withdrawal correctly.

As a result of the error, Ms H complained to CBS. Ms H also said that the early closure charge of her fixed rate ISA was unfair and disproportionate, and that combined with the error meant that she should be allowed to close the account without a charge.

CBS responded to the complaint and upheld the interest amendment issue, confirming their error and awarding £25 in compensation. Regarding the ISA closure charge, CBS said they didn't feel the charge was excessive and in comparison to other providers, it was lower. CBS also addressed Ms H's concerns about the charge that it had to be justified to our service, and it breached a Consumer Rights Act; but they said that our service didn't require CBS to justify the charge, and it didn't breach the act. Finally, CBS said in these circumstances, they would not waive the early closure charge.

Dissatisfied, Ms H brought her complaint to our service.

Our investigator looked into the matter and said that CBS didn't need to do anything further. They noted that CBS recognised their error, made a one-off arrangement for Ms H, and compensated accordingly. In terms of Ms H's request for CBS to waive the early closure fee, our investigator said they didn't think CBS should do this as it's not part of their terms and conditions.

Ms H disagreed with this outcome, and asked that the complaint be reviewed by an Ombudsman.

What I've decided – and why

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this will come as a disappointment to Ms H, I have decided not to uphold the complaint for broadly the same reasons as the investigator.

What's not in question is whether CBS made a mistake, specifically sending the interest payment before it was agreed with Ms H. But I'm pleased to see that they acknowledged that error, offered a reasonable one-off arrangement to allow an extra charge-free withdrawal, and compensated Ms H.

Ms H is particularly unhappy about the early closure charge that CBS would raise if she proceeded to close the account early, wanting to understand CBS's rationale for the charge. Having looked at CBS's terms and conditions, it states the charge to be 180 calendar days' interest on the balance which I regard as normal within the industry, and not onerous.

As part of my considerations, I cannot ignore that Ms H voluntarily actioned and signed up for the account in question which would have meant acknowledging and reading important information about the account that CBS made available. Ms H would have been able to see CBS's charging policy from the beginning, allowing her to query it at that time. Moreover, CBS allowed a 14-day cooling off period after opening in which Ms H could have changed her mind and closed the account without charge.

Turning to the terms and conditions, it is the case that terms and conditions do form the basis of a financial contract, and our service cannot influence them as we are complaint handlers, not the regulator. And I'm satisfied that as far as the fixed saver account goes, they are sufficiently clear.

Ms H has sent significant correspondence to this service since our investigator's view questioning CBS's compensation amount, their decision to apply it, our investigator's opinion as to the fairness of the compensation, and CBS's early closure charge. CBS are a commercial entity and are entitled to design regulator-approved processes. Looking at their compensatory actions towards Ms H, I can't see any evidence that they were not customer-focused plus, CBS don't need to justify them.

Equally, in terms of the charge that Ms H regards as disproportionate, not only is CBS entitled to decide their charging structure, but as I've stated, Ms H entered into an agreement to this when she opened the account.

Additionally, our investigator's opinion on the fairness of the compensation is just that, an opinion. If Ms H needs any more information regarding our service and compensation awards, this can be found on our website.

One last aspect I wanted to address was that Ms H says CBS have made numerous other errors and this justifies them waiving the early closure charge, but I'm not aware of other errors or complaints and my role here is to concentrate solely on this complaint.

While Ms H is likely to be unhappy with my decision, taking everything into account I think CBS have treated Ms H fairly and reasonably in terms of the error, and applied their terms and conditions correctly in their declining of Ms H's request to close the account without charge.

My final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 13 November 2024.

Chris Blamires
Ombudsman