

The complaint

Mrs C complains that National Savings and Investments (NS&I) automatically re-invested the proceeds of a bond she had with it into a three-year fixed term bond. Mrs C is unhappy because the terms of the new bond are more onerous than the original bond she had, and she's now tied into the new bond at a lower rate of interest which she says she never agreed to.

What happened

In March 2018 Mrs C invested in NS&I's three-year fixed term General Investment Bond (GIB). This bond was governed by a number of terms, but the key ones in this complaint are:

- It paid an interest rate of 1.9% for three years;
- It could be cashed in at any time upon payment of a penalty amounting to 90 days interest on the sum requested.
- NS&I would get in touch with Mrs C using her last recorded contact details at least 30 days before the end of the term to let her know what options were available to her when her bond matured.
- In the event that no instruction to cash in the bond was received prior to the maturity date, NS&I was entitled to reinvest Mrs C's money for a further term of the same length at a rate of interest set by the Treasury.
- Where NS&I reinvested Mrs C's money for a further term, the terms and conditions of the new bond were those specified on NS&I's website at the point at which the further term began. NS&I was also required to notify Mrs C about any changes to its terms and conditions in writing.

On 23 March 2021 NS&I wrote to Mrs C to let her know that her bond was maturing. The letter highlighted that NS&I's terms and conditions were changing and it also set out her options when the bond matured. On the first page, in large font and in a highlighted text box, the letter said:

'We've made an important change to NS&I Guaranteed Income Bonds

If you decide to renew or buy a new bond, you won't be able to cash it in before the new maturity date – you'll need to hold the Bond for the full term.

We have also given you the right to cancel within 30 days."

The letter explained these changes in more detail:

"What these changes mean

Previously, we gave you access to your investment before the end of its term but charged a

penalty equal to 90 days' interest on any money you took out early. Now, once you've decided to invest, you won't have access to your money until the Bond reaches the end of its term.

If you are thinking about renewing but might need access to the money before the end of the new term, you may want to consider a different type of account."

"Your right to cancel

If your Bond automatically renews or you renew it for a different term, you'll be able to cancel it within 30 days of receiving confirmation of your new Bond [...]"

The letter also set out Mrs C's options when the bond matured:

- Option 1: renew for another 3-year term.

This option involved NS&I automatically reinvesting Mrs C's money for a further 3-year term at a new rate of 0.36% interest unless Mrs C chose either options 2 or 3.

- Option 2: renew for a term of a different length.

The letter enclosed a summary box which set out the terms and rates available.

- Option 3: cash it in.

This allowed Mrs C to cash in her bond.

The letter then went on to give Mrs C the timeframe she had to provide her instructions. If option 1 was acceptable to her, she needn't take any action as NS&I would renew the bond automatically. For options 2 or 3, Mrs C needed to complete an enclosed form and send it back to NS&I "no later than 23 April 2021".

The letter concluded by warning Mrs C again that if she renewed her bond she'd be committing to keeping it "for a further investment term" and that she might want to consider a different type of account if she thought she'd need to access her money beforehand.

Mrs C did not respond to this letter or provide any instructions. On 27 April 2021 NS&I sent her a "Maturity Statement" which set out the maturity value of her bond. On the second page, in bold, the letter said "We've carried out your instructions". It then went on to set out the details of her new 3-year fixed term GIB. The letter gave Mrs C 30 days from the date of receiving the letter to cancel her bond. The letter also said that after the 30-day cancellation period, she wouldn't be able to access her money until the end of the investment term.

Mrs C's new bond had similar terms to her previous one. The key difference however was that the new bond did not allow her to access her money before the end of the fixed term.

On 8 April 2022, NS&I sent Mrs C an annual statement which showed the rate of interest she was receiving on her bond (i.e. 0.36%) and the interest payments NS&I had paid directly into her bank account over the year.

On 16 December 2022 Mrs C complained to NS&I. In short, she said:

- Due to the recent increase in interest rates, she had "checked the status of this investment" and found that she had a new GIB with a much lower rate of interest than her old bond.

- She had telephoned NS&I to enquire about transferring out of the bond but NS&I told her that it was not possible to transfer out before the end of the fixed term.
- The interest rate she was receiving was “substantially below that of the original term”, and below NS&I’s interest rates on current products and the rates of inflation.
- She was unaware of agreeing to the new bond and had no recollection of receiving any correspondence about the bond from NS&I.

Mrs C also asked NS&I for copies of letters it sent to her when her previous bond matured, including copies of communications which set out the options that were available to her upon its maturity, and evidence that she had authorised NS&I to re-invest her money into a new 3-year fixed term GIB.

NS&I provided Mrs C with the requested information.

On 4 January 2023, Mrs C wrote again to NS&I. She said in summary:

- She did not recall receiving NS&I’s correspondence and found it unfair that the default option - that required no instruction from her - was also the most detrimental to her financially;
- Given the “magnitude of the consequences” of being tied into a 3-year fixed term bond, NS&I ought to have sent her its correspondence via recorded delivery or with proof of postage to give it some confidence that it had been received by her.
- NS&I had not acted fairly and reasonably in protecting her interests.

She also asked that she be “immediately allowed to transfer the funds out of this account” and a “reasonable amount of compensation for the loss of interest” she had suffered as a result of NS&I’s “unauthorised action”.

NS&I didn’t think it had done anything wrong. In short, it said that it had complied with its regulatory obligations and terms and conditions in sending Mrs C a letter in advance of the maturity of her old bond which explained the important changes to its terms and conditions and set out the options available to her when her bond matured. NS&I also said it had sent Mrs C a letter confirming the transfer and included an option to cancel the bond within 30 days.

In addition to the above NS&I said that given the lower interest payments being generated from the new bond (which should have been obvious both from Mrs C’s banking records and the bond’s annual statement) Mrs C ought to have raised her concerns much earlier than she did.

Mrs C remained unhappy and so referred her complaint to this service.

I issued a provisional decision in July 2024. In it I said:

“Firstly, I’m persuaded that it was reasonable for NS&I to communicate with Mrs C by post on this occasion. It isn’t in dispute that Mrs C’s preferred method of communication was via post. I’ve not seen any evidence that Mrs C has previously raised any concerns with NS&I about not receiving its letters.

Shortly before Mrs C's 3-year fixed term bond matured on 27 April 2021, NS&I wrote to her on 23 March 2021 setting out her options when the bond matured. This was in line with NS&I's terms and conditions, which Mrs C would have received when she first invested in the bond.

The letter itself in my view was clear and gave adequate prominence, on the first page, to the important change in NS&I's terms and conditions. Namely that if Mrs C renewed her bond she would no longer be able to cash it in before the maturity date.

I'm also satisfied that the letter clearly set out Mrs C's options on the maturity of her bond and provided information about when she would need to provide her instructions by, and what would happen if she did not provide any instructions.

The crux of Mrs C's complaint is that she believes it was unfair for NS&I to have defaulted her into a product which she says had more onerous terms. She says NS&I ought to have obtained her express consent before investing her money into a new bond with a significantly lower interest rate and with no facility to access her money early, and she was now stuck in a product that isn't competitive.

In deciding what is fair and reasonable in this case, I have considered all relevant information. In particular, I've considered:

- NS&I sent Mrs C a maturity letter via post before the expiry of her old bond. The letter clearly communicated that if she renewed her bond, she would no longer have access to her money before the new maturity date. The letter also clearly set out what options were open to Mrs C upon maturity of her bond, the consequences of failing to respond to the letter (i.e. automatic transfer to a new 3-year fixed term GIB with a lower interest rate), and the date to provide any instructions by. In my view the letter complied with NS&I's regulatory obligations under BCOBS.*
- NS&I also sent Mrs C a maturity statement via post on 27 April 2021. This confirmed that NS&I had reinvested her money in a new 3-year fixed term GIB with an interest rate of 0.36% and explained that if Mrs C chose not to cancel the bond within 30 days, she would be unable to access her money until the end of the investment term.*
- I appreciate that Mrs C says she did not receive these letters, but NS&I has provided evidence of the letters and I have no reason to believe they were not sent. The letters were addressed correctly, and NS&I says it sent the letters via post – Mrs C's preferred communication method.*

I believe that Mrs C would have been aware around the relevant time that her bond was maturing. Even if not, I believe that she would have been aware from as early as May 2021 that her bond's income payments were significantly reduced from previous years – indicating an investment change. NS&I also sent Mrs C a statement in April 2022 which clearly included the start date and maturity date of her new bond and the reduced interest rate of 0.36%.

- Mrs C had not previously accessed her money during the fixed term of her old bond (nor had she enquired about accessing it between April 2021 and December 2022 when she complained) so I'm not persuaded, on balance, that being able to access her money early would have been a determining factor in her investment choice. It seems to me that Mrs C was happy to invest her money for a fixed term but had changed her mind once interest rates increased, and she found herself in a less competitive product.*

- *NS&I was entitled under its terms and conditions to transfer Mrs C's bond to another 3-year fixed term GIB on different terms where it had communicated any changes to her before transferring.*

I note that the BCOBS rules also required NS&I to send Mrs C a reminder letter within 14 days before her bond expired, where NS&I's original maturity letter was sent more than 14 days before the expiry - which it was here.

But I'm not persuaded, on balance, that the lack of this reminder makes any difference to Mrs C's complaint. This is because, NS&I sent her a maturity statement on 27 April 2021 which included details of her new bond and informed her of her right to cancel the bond within 30 days. I do not therefore consider that Mrs C would have been prejudiced by NS&I's omission here.

Whilst I can't be sure that Mrs C did indeed receive the letters that were sent to her, I'm not persuaded it would be fair to blame NS&I for that. NS&I has provided evidence that it wrote to Mrs C during the period that her bond matured - highlighting clearly in my view the changes to its terms and conditions and explaining that it would transfer her bond to another 3-year fixed term GIB with a lower interest rate if she did not respond to the letter.

I appreciate that Mrs C is dissatisfied with the investment, but I have not seen anything to suggest that NS&I breached either its terms and conditions or BCOBS. In my view NS&I did everything it needed to do before reinvesting Mrs C's money.

For all these reasons, I'm not currently persuaded Mrs C's complaint should be upheld."

Comments on my provisional decision

NS&I didn't respond to my provisional decision.

Mrs C didn't agree with my provisional decision and made the following comments:

- Mrs C had a very low appetite for investment risk and was a type of consumer who the FCA, in its Cash Savings Market Study, described as a "group of consumers who pay little attention to the accounts on offer and who, for long periods of time, will not consider whether they could earn a higher return by moving to a different account".
- She said that she was prepared to accept a generally lower than market interest rate in return for the absolute security of the investment. Her intention was that the investments would be relatively stable but a key factor for her was that the money would always be accessible should the need arise.
- When Mrs C took out the bond in 2018, "a fundamental pre-requisite" was that she'd have access to it, albeit by paying a penalty, although she hoped she wouldn't need to given she had access to other funds.
- Mrs C knew that the interest of the 2018 bond was quite low, so when inflation climbed very quickly in 2022, she considered it was time to move her investments to a better rate. She said she was shocked when she found out she couldn't do this – it was the first time in several years she'd been unable to access her money.
- She queried whether the terms of the 2018 bond, which she couldn't find, "entitled" NS&I to reinvest her money – but in any event, there was no mention that there

would be a change to the accessibility of her money within the bond.

- In relation to my reference to the April 2022 statement showing the lower interest she was receiving, she said that it wasn't the lower interest payments that caused her to seek to make a withdrawal but the overall situation with inflation. Furthermore, the April 2022 statement would not have told Mrs C that her ability to withdraw from the bond had changed.
- Mrs C accepted that post had been her method of communication with NS&I for a very long time. Generally, she said there was little communication with NS&I. However, it wasn't fair that Mrs C was being blamed for not receiving letters from NS&I about the change in the terms. She said that for "such a fundamental change of terms and conditions", it would've been easy for NS&I to highlight the importance of the communication by requiring a signature or a "tear off slip asking for an acknowledgment". This is something that was required for any of the other options being taken up at maturity.
- She quoted passages from a report by the Competition Markets Authority "Tackling the Loyalty Penalty" which said that "auto-renewal onto a fresh fixed term should not generally be used". She said that NS&I could simply have transferred her money to an easy access holding account allowing her the choice of what to do next. She said other companies do this and provided an example.
- She argued that the 2021 bond was "very materially different" from the 2018 bond, and as such, "a new contract would have to be made between the two parties". She said that part of a contract required her to communicate her acceptance in some way and this didn't happen. This meant that there was no valid agreement for the "fundamentally different new bond".
- She concluded by saying the purpose of the regulations was to ensure that the investor was fully informed and aware of any new savings account commitment – and she said this was particularly important when the new commitment was "fundamentally different from any previous agreement". She said every one of the other options required her to explicitly confirm, whereas the option most detrimental to her required her to take no action.

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've considered Mrs C's and her representative's detailed comments. I hope they don't take it as a discourtesy that I've only summarised their submissions. I understand the reasons why they disagree with my provisional findings but I won't be responding to each point they have raised, as that isn't the purpose of my decision. The purpose of my decision is to focus on the key points and provide reasons for my findings.

Having given the matter careful thought, I remain of the view that Mrs C's complaint shouldn't be upheld – and for essentially the same reasons as those I gave in my provisional decision, so I won't repeat those here and instead confirm them as final. I've set out the relevant rules and guidance, before dealing with Mrs C's submissions.

Relevant rules and guidance

The rules which the regulator, Financial Conduct Authority (FCA), expects firms to adhere to are set out in the FCA Handbook.

The rules specific to banking are set out in part of the Handbook called "Banking: Conduct of Business sourcebook" (BCOBS). I've set out the most relevant BCOBS rules below:

BCOBS 4.1.2G (Enabling banking customers to make informed decisions) provides:

"(6A) In relation to a fixed-term savings account, a firm should provide notice of the expiry of the fixed term to the banking customer on paper or in another durable medium in good time before the end of the fixed term. This notice should explain, in easily understandable language and in a clear and comprehensible form:

- (a) the consequences of the expiry of the fixed term, including whether the firm proposes to transfer the balance of the account to another fixed-term savings account if the banking customer does not provide further instructions to the firm while the customer has an opportunity to do so; and*
- (b) the options available to the banking customer for dealing with the balance in the fixed term savings account, including when and how these options may be exercised."*

"(6B) Where a notice under (3)(c), (5) or (6A) is provided by the firm more than 14 days before the change to which the notice relates takes effect, a firm should also provide a reminder to the banking customer within a period beginning 14 days before the relevant change takes effect and ending on the day before it does so. The firm may choose the medium in which the reminder is provided. In doing so, the firm should take account of any preferences expressed by the banking customer about the medium of communication between the firm and the banking customer, for example, if the banking customer has indicated a preference to receive information by mobile telephone text message."

NS&I also relies on FCA's market study update: MS14/2. "Cash Savings Market Study Update". I agree this is relevant in the context of this complaint, and I've therefore taken it into account. Among other things, that update says:

"Auto-renewal of fixed term products

1.19 Our research has found little detriment from auto-renewal of fixed term products. Therefore, we are not taking forward proposals requiring firms to obtain explicit consent from customers for their account to auto-renew on maturity."

"1.20 The practice of firms offering 'cooling off' periods following auto-renewal is widespread while price discrimination against customers that auto-renew appears rare. Our new requirements set out in PS15/27 will also significantly improve pre-sale and maturity disclosure on fixed term products. From December 2016 firms will be required to clearly set out the consequences of the expiry of the fixed term and the options available to the customers, including how these may be exercised."

My findings

I should firstly say that my role, unlike a court, doesn't extend to making findings on the law or deciding whether there was a valid contract between NS&I and Mrs C. I'm bound to take the law into account when deciding what is fair and reasonable, and in doing so, I'm mindful that the courts have found that acceptance of a contract, particularly a unilateral contract such as this, can be silent if accompanied by conduct ostensibly showing that the terms of

the contract are accepted and any obligations performed.

In this case, Mrs C was in my view reasonably aware of what would happen to a maturing bond, given how long she'd been invested with NS&I – she knew that she would not be required to actively respond for her money to be rolled over into a new fixed term contract. As I said in my provisional decision, this was specified in the terms of the 2018 bond – and she was also told this in the maturity letter. The fact that Mrs C then did not raise any issues with the new bond until she was almost half-way through the term meant that NS&I had complied with its obligations under the contract for a considerable period of time, paying the interest to her that it had committed to pay. In my view, this means that she'd accepted the terms of the new bond – which as I said in my provisional decision, were clearly highlighted to her in the maturity letter and included the change to the possibility of her having access to the money during the fixed term.

Mrs C has highlighted a report from the Competitions and Markets Authority, but I don't agree that it is relevant to this case. In relation to cash savings, the report references the FCA's work – but on a basic savings rate, in other words work on the interest actually being passed to consumers. The CMA made no comment, in relation to cash savings, about consumers being rolled into a new fixed term bond. NS&I wasn't penalising Mrs C or charging her more for the same service – it offered her what, at that time, was a competitive rate of interest, and which it was offering its new customers as well as its existing customers. There was no "loyalty penalty". This isn't the harm that the CMA was addressing in its report. The only reason Mrs C experienced "financial detriment" from NS&I's actions was because 18 months later, interest rates were much higher and she was unable to move her money away. This isn't what the CMA report was about.

As I said in my provisional decision, the FCA doesn't require firms to obtain explicit consent from customers for their account to auto-renew on maturity and there are no rules that required NS&I to do this. In fact the report I've quoted above shows the FCA specifically declined to make rules requiring firms to obtain explicit consent.

What NS&I was required to do was communicate to Mrs C fairly, clearly and not misleadingly what her options were at maturity and what the key features of the new bond were. It did this. It clearly highlighted the change to the possibility of accessing her funds in the short term. It also gave Mrs C a further option to cancel the contract during a cooling off period, which she was reminded of when her new fixed term bond started.

So Mrs C was given ample opportunities to withdraw from the fixed term contract and move her money elsewhere if she wanted to. Mrs C said that the purpose of the regulations was to ensure that she was fully informed and aware of any new savings account commitment – but I have found that she was. The letters NS&I sent to her were clear about the terms of the new bond and there was no ambiguity in what her commitment would be, or what rate she would receive.

I accept that NS&I could've taken other steps and that other providers may do things differently. But this isn't, of itself, a reason to conclude that NS&I didn't act fairly and reasonably.

In my view taking everything into account, NS&I complied with the relevant rules and acted fairly and reasonably when it rolled Mrs C's money into a new fixed term bond after she did not reply to the maturity letter. As a result, I'm satisfied Mrs C's complaint shouldn't be upheld.

My final decision

For the reasons I've given, I don't uphold Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 13 February 2025.

Alessandro Pulzone
Ombudsman