

The complaint

Mr L complains that Paragon Bank Plc failed to complete his application for an Individual Savings Account (ISA) transfer.

What happened

Mr L sent Paragon an incorrectly completed ISA transfer form in early September 2023. The transfer was rejected by the ceding provider as there was a National Insurance (NI) number mismatch. Mr L provided Paragon with the correct NI number in late September. Paragon said it would re-submit the transfer using the correct NI number. Paragon failed to provide the ceding scheme with the correct NI number and the transfer didn't complete as the fixed-rate Paragon offered closed. Shortly after, Mr L opened a 3-year fixed rate ISA with another provider.

When Mr L complained to Paragon it apologised for its error and upheld the complaint. Paragon sent a cheque to reimburse the interest Mr L lost.

Mr L brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. The Investigator thought that Paragon should pay Mr L the difference in interest he's received on his new ISA and the rate he would have received if the ISA transfer to Paragon had completed. The Investigator thought that Paragon should also pay Mr L £100 to reflect the distress this caused and the inconvenience of having to re-start the transfer process with another provider.

Mr L asked that an Ombudsman decides the complaint and it has been passed to me to decide.

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.

For very much the same reasons as our Investigator, I've decided to uphold Mr L's complaint. I know that Mr L will be disappointed, but I feel that it's fair and reasonable for Paragon to pay Mr L the interest he lost in having to take out a new ISA at a lower rate, and to pay him the sum of £100 to reflect the distress and inconvenience this matter caused him. I will now explain why and address what I consider to be the key comments Mr L has provided.

Paragon has already accepted that it failed to re-submit the ISA transfer request with Mr L's correct NI number, so I don't need to decide on this matter of fact. Instead, my decision will focus on the impact this had on Mr L.

Paragon's error caused Mr L to miss the 1-year fixed cash ISA it offered at the time. The offer ended before the transfer could complete. Although Paragon offered other interest rates on its cash ISA's at the time, Mr L says these were below the rate previously offered on the 1-year fixed rate account. As a result, Mr L decided to transfer his ISA to another

provider and to take up a 3-year fixed rate which has a lower rate than the Paragon 1-year fixed ISA he initially applied for.

We try to put a consumer back in the position they would have been in but for the error caused by the business. However, this may not always be possible, so we assess what a fair and reasonable remedy for the complaint will be.

In this case, Mr L chose to take out a 3-year fixed ISA after his application for a 1-year fixed rate ISA to Paragon failed. Mr L would have been aware at the time that there was a penalty of 270 days interest on withdrawals with his new ISA but feels that the remedy put forward by our Investigator doesn't take this into account. I acknowledge the point Mr L has raised but this would commit Paragon to paying a remedy for a longer period than Mr L would have been contracted to if the transfer had completed. And I don't think that is fair and reasonable.

Instead, I think it's fair and reasonable that Paragon should pay Mr L the lost interest he would have earned on the Paragon 1-year fixed ISA, less the interest he has actually earned on his new ISA over the same term (1-year). To recognise that Paragon's error caused Mr L some distress and inconvenience, I've decided Paragon should pay Mr L £100. This reflects that Mr L was able to open a new ISA within a few weeks after being told the Paragon ISA had closed.

My final decision

Mr L has confirmed that Paragon has already paid him £88.25 in lost interest and £100 for the distress and inconvenience its error caused. For this reason, I've decided that Paragon Bank Plc doesn't need to do anything else as this is a fair and reasonable remedy to resolve the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 10 December 2024.

Paul Lawton
Ombudsman