DRN-5044868

The complaint

Mr R and Mrs W have complained about the decision of National Savings and Investments ('NS&I') to decline applications they made for guaranteed growth bonds (GGBs) in September 2023.

What happened

I have previously issued a provisional decision regarding this complaint. The following represents excerpts from my provisional decision, outlining the background to this complaint and my provisional findings, and forms part of this final decision:

"*Mr R and Mrs W live outside the UK. They have both been customers of NS&I for many years, holding premium bonds. In April 2023, Mrs W successfully purchased more premium bonds, and I understand she was not required to provide any proof of identity or proof of address documentation to do this.*

Mr R and Mrs W made joint applications to invest in NS&I GGBs on 25 June and 13 July. The bonds that they attempted to take out on these dates do not form part of this complaint, but I mention them as they provide some important background in relation to the events that led to the complaint that has been made. I understand that on 29 June Mr R successfully uploaded documents which verified his ID and address.

On 20 August, Mr R emailed NS&I to complain that GGBs had not been set up in respect of the June and July payments. NS&I sent a letter responding to this complaint on 24 August. It stated that because Mr R and Mrs W lived outside the UK, it needed proof of their ID. NS&I confirmed that Mr R had proved this, but the documents supplied for Mrs W were unacceptable. It stated that it had written to Mrs W on 16 June and 13 July confirming what documents were needed, and it confirmed it would be refunding the two investments if it did not receive these documents by 12 September.

I would point out that NS&I's reference to a letter issued on 16 June in relation to the June attempted investment would appear to be an error, as the GGB application was made on 25 June.

Ultimately the June and July GGB applications were rejected by NS&I because it stated Mrs W had not provided acceptable documentation, and the investment amounts were returned to Mr R. Mr R and Mrs W have not complained about the rejection of the June and July applications.

On 1 September, 2 September and 3 September, Mr R and Mrs W applied online to take out a further three GGBs for £25,000 each, with Mr R transferring these savings amounts to NS&I. The GGBs offered gross interest of 6.2% for a one year fixed term.

Using Mr R's email address, both Mr R and Mrs W corresponded with NS&I to establish what proof of ID and proof of address documents it required. On 16 September Mrs W emailed NS&I confirming that the only passport she had was one that had expired in 2014.

She said she could provide a certified copy of that if it was acceptable. NS&I acknowledged this email, but I have not been provided with the response it gave (if it did indeed respond).

On 29 September Mrs W emailed NS&I to say that she had certified documents for ID and address purposes and she asked how she could upload them. NS&I responded that if Mrs W was logged into its system, she should be able to upload the documents, but she should call if there were difficulties. It also said that if the documents could not be uploaded they would need to be sent by post. Mrs W's email on 5 October confirmed she'd spoken to NS&I and it had been agreed she'd send her documents by post. Certified copies of her expired passport and a non-UK bank statement were sent with a covering letter dated 3 October.

On 9 October, in an email to NS&I Mr R highlighted that post was taking "a fortnight or so to reach us", and he said that the same might be the case for post he was sending. In light of this, he asked if a link could be sent so that documents for the applications could be uploaded. The same day NS&I emailed Mr R to say that if there was no link available on his online dashboard it wouldn't be possible to generate a new one. It said the only option was for it to wait to receive Mrs W's documents by post. These were received by NS&I on 10 October.

On 15 October NS&I wrote to Mrs W stating that it accepted her passport as proof of ID, but it could not accept the bank statement as proof of address. It said this was because the certifier had not provided a day telephone number, and it was unsure of their occupation as this was not written in English. NS&I stated that it needed to receive all required documents by 1 November, otherwise the applications would be rejected and the money returned. Mr R says that NS&I's letter dated 15 October was not received until 4 November.

On 16 October Mr R sent a registered post letter to NS&I (dated 15 October) that was signed for on 19 October. This noted that verification of Mrs W was proving to be difficult, and that the deadline for the applications was nearing. As a result Mr R requested that the applications be converted into his sole name to avoid them being forfeited. Both Mr R and Mrs W signed this letter.

NS&I responded in a letter dated 24 October. This was sent in the post and was received by Mr R on 13 November. NS&I said it was unable to amend details for applications made online or by telephone, and it was cancelling the sales and refunding the monies paid. Mr R has confirmed the monies were returned on 25 October.

On 4 November Mr R complained to NS&I about the rejection of these bond applications. It responded on 8 November, reiterating that its process did not allow applicants for a bond to be amended. NS&I also confirmed that the GGB had been taken off sale on 6 October.

Mr R and Mrs W referred their complaint to this service. Mr R commented that NS&I had been told on at least two occasions that post was taking a fortnight or more to reach him and Mrs W. He said that NS&I had accepted the bank statement he had provided as a verification document, and that this had been certified by the same bank official who had signed the statement submitted for Mrs W. In both cases no daytime phone number was included, and the bank official's handwritten job title was identical. In addition, the bank statement which Mr R had provided showed both him and Mrs W as addressees.

Mr R and Mrs W stated that NS&I had unfairly rejected Mrs W's proof of address document. As the GGB offering 6.2% was no longer available from NS&I, they asked that they receive redress equivalent to one year's interest at this rate.

Our investigator asked NS&I to clarify which documents that Mr R had supplied were used to verify his ID and address. It responded that both were satisfied via a certified DWP letter,

thus implying that the non-UK bank statement was not used for verification. NS&I also said that it had been in error when it had stated in its 15 October letter that Mrs W's passport was acceptable proof of ID. It said it was not because it was more than three months out of date.

The investigator did not uphold this complaint. He stated that in NS&I's 15 October letter it had included a link to a document that said a certifier needed to include a daytime phone number. As this was absent from the bank statement provided for Mrs W, the investigator said that NS&I had acted fairly when not accepting the document. He also said that whilst he appreciated there were postal delays sending letters, NS&I was not responsible for that.

The investigator felt it was not unfair that NS&I wouldn't allow the applications to be rearranged in Mr R's name only. His conclusion was that NS&I had acted reasonably when declining the bond applications because he said Mr R and Mrs W had not provided the appropriate documents by the 1 November deadline.

Mr R and Mrs W disagreed with the investigator's findings. Mr R reiterated that NS&I's 15 October letter asking for further proof of address for Mrs W had not been received until 4 November. He said this made the 1 November deadline impossible to meet. Mr R questioned why NS&I had not emailed or phoned him or Mrs W to ask for the certifier's contact number, or posted on NS&I's dashboard using its messaging facility.

In terms of NS&I now stating that Mrs W's expired passport was not acceptable as proof of ID, he forwarded a letter from Mrs W dated 11 May 2023 where she had told it that she no longer had a valid driving licence or passport. He also highlighted that Mrs W had said in that letter that NS&I's letter dated 19 April had only arrived with her on 10 May. He said this was the first of several times that they'd told NS&I that post was taking a long time to arrive with them, referencing also his 9 October email.

Also in the 9 October email, Mr R highlighted that he'd asked what other documents could be provided in the absence of Mrs W having a valid driving licence or passport. With no response from NS&I, Mr R said the expired passport had been submitted. Mr R said that he appreciates NS&I has money laundering regulatory obligations. However he said he'd not been given a chance to comply with NS&I's request in its 15 October letter for further acceptable documentation by the deadline NS&I had set because it had posted this letter.

The case was passed for review by 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 R and Mrs W were able to take out the GGBs because, although they live outside the UK, they hold a UK bank account.

NS&I had been told by Mr R and Mrs W that post to their overseas' address took some time to arrive. Mrs W's letter on 11 May 2023 said that an NS&I letter dated 19 April had arrived on 10 May. Mr R's email on 9 October confirmed that post was taking about a fortnight to arrive. Mr R has said that on other occasions he had told NS&I about the delays in post arriving. And when attempting to provide documentation for the GGB applications, both Mr R and Mrs W enquired about uploading documents to NS&I's dashboard, and communicated via email. In my view it's clear that Mr R and Mrs W were attempting to avoid delays occurring as a result of communicating via the post.

Despite this, NS&I chose to send a letter on 15 October when seeking further details to evidence Mrs W's proof of address. Regulated businesses are expected to respond to customer needs, including those with non standard needs – such as here, where Mr R and Mrs W live outside the UK and post takes longer to arrive. Bearing in mind what Mr R had said about post taking around a fortnight, in my view it was unreasonable for NS&I to send post when asking for information on 15 October and setting a deadline of 1 November to receive it. As NS&I's letter didn't arrive until 4 November, Mr R and Mrs W weren't aware of its content until the 1 November deadline to send revised documents had passed.

I consider therefore that NS&I did not act fairly and reasonably when contacting Mr R and Mrs W by post on 15 October, rather than using another medium such as email, phone or its online dashboard. However, in my view it's not clear whether Mrs W would have been able to satisfy NS&I's requirements in order to take out the GGBs in joint names. I say that for a couple of reasons.

Firstly, NS&I now says that it should not have accepted Mrs W's expired passport as proof of ID. In light of this, I consider NS&I may have changed its initial decision to accept the passport before the GGBs were actually put in force. If so, Mrs W may have found it difficult to provide a suitable document as proof of ID, in the absence of holding a valid driving licence or passport. Secondly, as NS&I has now told us that it did not use the certified bank statement that Mr R provided as proof of address, I consider it's uncertain whether a statement from the same account would have sufficed to prove Mrs W's address.

But that aside, I have also considered whether NS&I acted reasonably in response to Mr R and Mrs W's letter dated 16 October. In that letter the consumers requested that the applications be converted into Mr R's sole name due to the verification of Mrs W proving difficult, and the deadline for the applications nearing.

Mr R and Mrs W had recognised the risk that the GGBs might not be set up. Although they sent a letter in this instance, my understanding is that they did this to ensure they were providing signed confirmation from them both that they agreed to this change. They also sent their letter by registered post to ensure it arrived promptly, as it did, on 19 October.

NS&I's response was that it was unable to amend details for applications made online, and it has reiterated that within its correspondence to this service. I have carefully considered NS&I's comments in this regard. I also note what it has told us about the requirement to verify a customer before it is able to accept an application. NS&I has explained that for customers in the UK, it carries out checks electronically, but this is not possible for those who reside outside of the UK. This was why it requested documents from Mr R and Mrs W.

As I explained above, businesses are expected to respond to customer needs, including those with non standard needs. In this case, Mr R and Mrs W clearly recognised the difficulties they were encountering providing the required verification documents for Mrs W. In my view they quite reasonably proposed changing the applications so that they were in Mr R's name only. Although NS&I said this was not possible I currently consider that in order to respond to the needs of Mr R and Mrs W, living outside of the UK and therefore having 'non standard' needs, it should reasonably have agreed to revise the GGB applications so that they were in Mr R's name only.

Had NS&I agreed to this change, as Mr R had satisfied verification requirements, I understand that the bonds applied for on 1, 2 and 3 September 2023 would have been put into force. They would have received gross interest of 6.2% for one year.

I asked Mr R and Mrs W where the total savings amount of £75,000 returned to them when the GGBs were cancelled in October 2023 had been held since then. Mr R confirmed that

this had remained in his UK current account, receiving no interest. That was because, if this complaint was successful, he believed he might need to return £75,000 to NS&I to set up the bonds. Mr R also commented that he understood as a non-UK resident he would not have been able to place these funds in a UK bank/building society savings account.

My view is that Mr R acted reasonably leaving these funds in his UK current account, in light of the lack of savings opportunities available to him as a non-UK resident. Because I consider NS&I acted unreasonably when it decided not to rearrange the GGB applications in Mr R's name only, my view is that NS&I has caused Mr R and Mrs W a financial loss. Mr R has been deprived of the interest that he would have earned on his funds had they been saved in the GGBs from the September start dates.

To put things right, my aim as far as is possible is to put Mr R and Mrs W back in the financial position they would have been in but for NS&I's errors. Had NS&I arranged the three GGBs in Mr R's name only, it seems likely that they would have been held for the one year term. This means that the three bonds would be set to mature on 1, 2 and 3 September 2024, and would be due to receive gross interest at 6.2% for the year on those dates.

Mr R has explained that he's been ready to repay £75,000 to NS&I in the event this complaint is upheld, so that that the GGBs can be set up. However, in my view, the relevant dates in this case make the setting up of the GGBs unrealistic. That's because I need to give the parties the opportunity to respond to this provisional decision, as my current view of the complaint differs to the investigator's. By the time they have responded, it will be close to the dates that the GGBs would be maturing, if they'd been put in force.

It does not seem to me to be practical for Mr R to repay £75,000 to NS&I, and for the bonds to be set up again, before the maturity proceeds are due. In the circumstances, I currently do not intend to require NS&I to set up the three GGBs. Instead I consider that fair redress in this case is represented by NS&I paying Mr R (as the sole bond holder) compensation equivalent to a gross interest rate of 6.2% for one year on a total £75,000 savings amount (which I calculate to be £4,650).

Had the GGBs been put into force, I understand that NS&I would have paid the interest gross. It would then have been for Mr R to arrange payment of any tax that was due to HM Revenue & Customs. I've not as yet enquired with Mr R about his liability to UK tax on his savings. However, to ensure the compensation paid by NS&I is fair, I consider the amount of £4,650 should be reduced by the amount of tax Mr R would have been required to pay in the UK on this gross interest amount, if he would have been liable for UK tax on his savings.

I would ask that in response to this provisional decision, Mr R confirms his understanding about whether he would have been required to pay tax on the gross interest paid under the GGBs if they'd gone into force, and if so at what rate. I'd also ask Mr R to evidence where possible his understanding of the tax situation applicable to him for the GGBs as a non-UK resident.

I have also considered the difficulties that NS&I caused Mr R and Mrs W as a result of its handling of their GGB applications. In my view by failing to take into account their residence outside the UK in its choice of communication mediums with them, NS&I caused Mr R and Mrs W unnecessary distress and inconvenience. Mr R and Mrs W repeatedly attempted to find ways to avoid the need to send post to NS&I, knowing the time it was taking, but NS&I did not take steps to assist them – for example by facilitating the uploading of documents on its dashboard. I also consider some of NS&I's communication with Mr R and Mrs W about what was required to successfully set up the GGBs was not as clear as it should have been. Overall my current view is that NS&I should pay Mr R and Mrs W £150 to reflect distress and inconvenience caused to them."

Responses to my provisional decision

Mr R and Mrs W accepted my provisional decision. Mr R said that Mrs W wished to place on record some recent interactions she'd had with NS&I. He highlighted that in previous correspondence with this service, he'd said that the £75,000 they'd planned to place in GGBs was being used to buy premium bonds, pending an ombudsman's final decision. Mr R explained that both he and Mrs W had in fact tried to purchase £50,000 each of premium bonds, partly funded by selling existing holdings.

Mr R successfully purchased £50,000 of premium bonds. But for Mrs W's application, NS&I sent her a letter dated 20 May asking for proof of ID and address. Mrs W received this letter on 5 June, and on the same day she emailed NS&I to reiterate that she does not hold a current passport or driving licence. She asked if the certified copy of her expired passport was sufficient as evidence of ID. In terms of evidencing her address, Mrs W pointed out that the previously supplied non-UK bank statement had been rejected by NS&I. In the circumstances she asked NS&I to extend the deadline of 7 June it had set for her to provide documents, and said she would await its further advice.

On 10 June NS&I issued a letter to Mrs W stating that it was returning her money in the absence of ID and address evidence being provided, and this sum was paid to her on 12 June (although it was £25 less than she'd attempted to invest). Mr R commented that NS&I had not been helpful with Mrs W's premium bond application.

In terms of Mr R's premium bonds, he confirmed that his £50,000 holding became eligible for prizes in July 2024, and he said that up to September 2024 these had accrued prizes totalling £300. Mr R agreed with my proposal put to him after my provisional decision that these bond winnings should be deducted from the compensation amount I previously suggested, being the interest which would have been accrued under the GGBs.

In terms of any tax liability Mr R would have incurred on interest if the GGBs had been put into force, he explained that for tax purposes he is resident in the country that he lives in, outside the UK. In that country, the tax year runs for the same period as the calendar year. Mr R says that his and Mrs W's income in 2023 was within the annual tax-free allowance, and he estimates that in 2024 the same will be the case, even taking into account the interest he would have received on the GGBs. He therefore asked that the redress amount I proposed in my provisional decision be paid gross.

NS&I did not agree with my provisional decision. Whilst it accepted that Mr R and Mrs W had told it about potential issues with the post, it said it wasn't fair for NS&I to be held accountable for postal delays. NS&I commented that it had been Mr R and Mrs W's choice to keep their funds in a non-interest paying current account. It also said that it hadn't seen evidence to show that non-UK residents aren't able to put money in UK bank/building society savings accounts. NS&I's initial response to the provisional decision was that it did not think it was reasonable for it to compensate Mr R and Mrs W for financial loss, as it considered they could have put their funds in a savings account either in the UK or their home country. It said it had been clear and open about evidence of identity requirements.

NS&I then sent a further response in which it said it wanted to make an offer to Mr R and Mrs W. It offered to pay 1.2% on £75,000 (£900) which it said was fair because "*we did not instruct or suggest that our customer should leave the funds in a UK bank account earning nil interest.*" It also agreed to pay £150 for distress and inconvenience caused.

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.

NS&I has commented that it is not responsible for postal delays. Whilst I accept that, as I explained in my provisional decision, and NS&I has acknowledged, Mr R and Mrs W made it clear that post was taking some time to arrive. Mr R and Mrs W were customers living outside the UK. NS&I had a duty to consider their needs, and in the circumstances here, my view remains that it should have used another medium other than sending letters in the post when it was seeking the information required to set up the GGBs. Although it does not form part of this complaint, I note Mrs W's comments that NS&I has again chosen to send document requests in the post to her during her recent attempt to take out premium bonds.

I also consider that to meet their 'non standard' needs, NS&I should have agreed to revise the GGB applications so that they were in Mr R's name only. Had NS&I agreed to this change, on balance I consider that Mr R would have taken out the bonds applied for on 1, 2 and 3 September 2023 for a total amount of £75,000, and received 6.2% interest for one year until maturity in September 2024.

In terms of fair compensation, NS&I states that Mr R and Mrs W chose to leave their funds in an account paying no interest. It has also indicated that they could have taken out a savings account in the UK, or moved the funds to a savings account in their home country. In terms of opening a UK savings account, my understanding is that there are very limited opportunities for non UK residents to do that. And if they had moved the money to their resident country to open an account there, it seems likely to me that they would have incurred currency conversion costs, negating the benefits of earning interest on the funds.

In the circumstances my view remains that it was reasonable for Mr R and Mrs W to leave their funds in their UK current account, on the basis that if their complaint was successful, they might be required to place the money in the GGBs. More recently, Mr R and Mrs W have applied to put the funds in premium bonds. But as they've explained, this has only been successful for Mr R.

I note NS&I's offer to pay redress to Mr R and Mrs W based on an interest rate of 1.2% on the £75,000 investment amount. But for the reasons explained here and in my provisional decision, I consider that fair redress is represented by NS&I paying Mr R (as the sole bond holder) compensation equivalent to a gross interest rate of 6.2% for one year on £75,000 savings – or £4,650. However in light of the clarification Mr R has given that £50,000 of the money intended for the GGBs has been in premium bond prize draws since July 2024, I consider the total prizes accrued by these bonds up to the September 2024 draw should be deducted from the compensation amount (calculated by Mr R to be £300). As agreed by NS&I, a payment of £150 for distress and inconvenience caused should also be paid to Mr R and Mrs W.

Finally, in terms of whether the interest paid under the GGBs if they'd been set up would have incurred a tax liability, Mr R has explained why he considers that would not have been the case. Having considered the information provided by Mr R, I do not consider the compensation should be reduced to reflect a notional deduction for tax, as it would appear on balance that tax would not have been paid on the GGB interest by Mr R and Mrs W.

My final decision

My final decision is that I uphold this complaint and require National Savings and Investments to carry out the following actions:-

- Pay Mr R compensation of £4,650 (equivalent to interest of one year at 6.2% on a total investment of £75,000 in three GGBs). From this amount should be deducted

the prizes Mr R received on his £50,000 premium bond investment made in 2024, up to the September 2024 draw.

- Pay Mr R and Mrs W £150 compensation to reflect distress and inconvenience caused to them.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs W to accept or reject my decision before 31 October 2024.

John Swain
Ombudsman