

The complaint

Mr and Mrs K complain about the information which National Savings and Investments (NS&I) has given to them about their accounts.

What happened

Mr and Mrs K each hold a NS&I index-linked savings account which earns a return on investment based on the increase in the Consumer Price Index (CPI) together with interest at a fixed rate.

Mr and Mrs K are unhappy that during the year, the CPI valuations went up and down. They say that NS&I told them that as the CPI changed, the previous valuation would increase more slowly or rapidly according to whether the CPI had gone up or down. However, the valuation reduced further from a previous valuation.

After Mr and Mrs K complained to NS&I, they say it rectified the valuation and paid £200 compensation with a further £100 as it used the wrong bank account number for the compensation payment. Mr and Mrs K say the same thing happened in April 2024. NS&I responded to the second complaint to say it was partially upheld but that the complaint was exhausted.

Mr and Mrs K wanted NS&I to explain what was happening. They pointed out that if NS&I is saying the valuation is only applicable on the anniversary of the account, there is no point providing periodic valuations on the index-linked part of the product.

Our investigator didn't uphold Mr and Mrs K's complaint. She noted that rather than querying the annual valuations, Mr and Mrs K were unhappy with the monthly valuations they could see online. NS&I has said that its periodic valuation includes a disclaimer which states that:

"Notional index-linking is a hypothetical figure for the amount of index-linking since the last anniversary, based on the latest applicable RPI or CPI. You will only receive index-linking on each anniversary – see your customer agreement (terms and conditions) for details."

So, our investigator thought NS&I made it clear that the notional calculation only estimates what the value might be and the calculation used on the website is different from the one used to calculate the annual index-linking value.

Our investigator noted that Mr and Mrs K had seen fluctuations where the amount had increased when the CPI had decreased, and where the amount had decreased at times when the CPI had increased. However, our investigator said to Mr and Mrs K that NS&I's records showed that the CPI has only gone down since January 2024, from 4% to 2% in May 2024.

Overall, our investigator thought that NS&I had responded fairly to Mr and Mrs K's concerns by paying a total of £300 compensation for any confusion and lack of response to complaint correspondence.

Mr and Mrs K were unhappy with the investigation outcome. They said our investigator has not taken account of the fact that periodic calculations are based on the previous estimated valuation. And this could only be less if there was deflation. However, the valuation of £23,739 decreased to £23,614 on a subsequent valuation. Mr and Mrs K said that similar errors could have occurred prior to them starting to monitor their accounts earlier this year.

Our investigator responded to say the valuations were an estimation and therefore not used to calculate any return or value. She said that if Mr and Mrs K wanted NS&I to remove the periodic valuations because they are not beneficial, this is not something our service could ask it to do. It would be for the regulator, the Financial Conduct Authority (FCA) to tell regulated businesses such as NS&I, what processes they should adopt.

As our investigator didn't think NS&I had made a mistake, she said she would not ask it to take further action.

Mr and Mrs K remain of the view that the negative fluctuation was a mistake. They don't think our investigator has investigated whether NS&I made the same mistake before they started tracking the valuations in January 2024.

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 am sorry to disappoint Mr and Mrs K but having considered their complaint, I am not asking NS&I to take further action.

As NS&I has said, it can only supply a notional index-linking value throughout the year. This estimates the amount of index-linking since the last anniversary, based on the latest applicable CPI. This may not be the same as the annual index-linked return which is based on the percentage change in CPI over 12 months. And the figures may also be different if a customer uses the estimated valuation calculator available on the NS&I website.

When Mr and Mrs K complained to NS&I in early 2024, they were unhappy that the valuation given in January 2024 of £23,649 was less than their previous valuation from a couple of months earlier of £23,703. They understood that the RPI valuations during the year were added to their account paid at the end of the year but if the RPI reduced at the next valuation, a smaller amount was added on top of the last valuation. Mr and Mrs K also noted that the valuation given in March 2024 of £23,614 was down on the valuation in February 2024 of £23,739.

To try and address Mr and Mrs K's concerns about the drop in valuation, I have considered the annual statement which NS&I provided to Mr and Mrs K in May 2024 together with the Office of National Statistics CPI figures in 2023 and 2024.

NS&I's annual statement explains that it calculated the index-linked return in May 2024, based on the CPI start level in March 2023 of 128.90 and the CPI end level in March 2024 of 133. Over the year, this resulted in a percentage increase in CPI of 3.18%.

My understanding is that depending on the point at which NS&I supplies the notional index-linking figure, the percentage change could be higher or lower. Between September 2023 and December 2023, the CPI level fluctuated between 132 and 132.2, going down to 131.7 in November 2023. In January 2024, the monthly CPI level fell further to 131.50 before continuing to rise to 133 in March 2024 – the figure given by NS&I on the annual statement. So, I am satisfied that depending on when the notional valuation is produced, it is possible

for it to be higher or lower than a previous valuation. I don't think this means that NS&I has made a mistake with the way it calculated the notional values.

As our investigator has already said, the notional figures are just that – notional. It is not until each anniversary that NS&I provides the actual index-linked return based on the actual percentage increase in CPI. I have not seen any evidence to suggest that NS&I made a mistake with any of the annual valuations. So, even if I were to be persuaded that it made a mistake with the periodical valuations – which I am not – I would not look to compensate Mr and Mrs K for any loss on their investment.

As Mr and Mrs K are not saying they noticed previous errors or unusual fluctuations in years gone by and there is no suggestion that the annual figure is wrong, there has been no negative impact on them and therefore nothing for NS&I to put right. For this reason, I don't consider it necessary as part of resolving this complaint, to go back over previous years to look at past periodic valuations.

NS&I has already paid Mr and Mrs K a total of £300 compensation and explained that the notional valuations may be different to the annual valuations. I think this has been a fair way to resolve any confusion caused together with the mistake about the bank account number. As I am not persuaded that NS&I has made a mistake with Mr and Mrs K's investments, I don't consider it fair to require it to compensate them further.

My final decision

My final decision is that I don't require NS&I to take any steps in response to Mr and Mrs K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs K to accept or reject my decision before 11 November 2024.

Gemma Bowen
Ombudsman