

The complaint

Mrs L complains that Clydesdale Bank Plc trading as Virgin Money delayed her Individual Savings Account (ISA) transfer by nearly four months and provided poor communications.

What happened

Mrs L said she applied for an ISA online to be funded by an ISA transfer. She made a transfer on 8 October 2023 and received a letter confirming £20,817.33 had been transferred. She received a further letter of 16 October 2023 advising that the deposit had exceeded the amount allowed and that £817.33 would be returned to her ISA account.

On 22 October Mrs L called Virgin who said she hadn't done the on-line transfer and would send her an ISA transfer form. A further call from Virgin on 8 November didn't mention the transfer form and Mrs L said to send the money back to her ISA account which was agreed. Mrs L said at no time during the call was she told to complete any paperwork.

Mrs L said from 8 November 2023 to 15 February 2024 she called and emailed to find out what was happening. Virgin's reply in November misnamed her bank and said a final response had been sent 8 October, when she hadn't then attempted the transfer, and stated she needed to complete an ISA transfer form. On 21 November Mrs L said she received a similar email from Virgin referring to a final response letter of 8 November.

In December 2023 Mrs L asked Virgin for proof of her £20,000 payment via the payment process, which she hadn't used as she had made the ISA transfer as per Virgin's website. She said there was no reply, and she asked her bank to pursue the transfer, but Virgin didn't help. She said the transfer was eventually completed after four months, well outside the transfer time limit and with nothing from Virgin detailing the transfer or the interest earned.

In its response to Mrs L's complaint Virgin said she opened an ISA on 9 October 2023 and deposited £20,817.33 from her bank account. Virgin said an ISA Transfer Authority Form wasn't received, and so it treated the deposit as a new subscription, which meant it had to return £817.33 as this was over the £20,000 limit. Virgin said Mrs L insisted she wasn't given the option to complete the transfer form online, however the funds were received as a Faster Payment, rather than ISA transfer. Virgin said Mrs L wanted the funds returned to her bank, and this would need her bank's agreement to ensure they remain in her ISA wrapper.

Virgin told Mrs L the payment it received on 9 October 2023 for £20,817.33 was classed as new funds as the ISA transfer process wasn't followed. Virgin set out the correct process which requires completion of an ISA Transfer Authority Form which is submitted online and allows Virgin to request the funds directly from the other provider (Mrs L's bank). Virgin said a reference number would be created which would begin with 'CISA'.

Mrs L wasn't satisfied with this response and referred her complaint to our service. Our investigator didn't recommend it be upheld saying Virgin hadn't made an error as it hadn't received the ISA transfer form, and if it had, the funds would have transferred correctly. She said Mrs L says she made an online application, but Virgin's letter said the ISA subscription limit had been exceeded and £817.33 would be returned to her bank.

The investigator said that for the ISA to be transferred correctly, Virgin would request the funds directly from Mrs L's bank. However, the statement from Mrs L's bank, shows the transaction for £20,817.33 linked to Mrs L's request of 8 October 2023 as "FPO" - "faster

payment outwards”, which is a manual payment out of the account. The investigator was pleased Mrs L’s bank accepted the money back to her original ISA and that Virgin received the transfer request on 14 February, and completed this on 16 February 2024.

Mrs L disagreed with the investigator and said her assessment was full of inaccuracies and showed a lack of thorough investigation. She said she took Virgin’s option to transfer from an existing cash ISA, rather than by payment transfer from another bank as evidenced by the lack of Virgin payee details listed on her bank account. This meant the new ISA would have been allowed to take the full amount of the transfer £20,817.33. Mrs L said Virgin states that cash ISA transfers take 15 working days, but her request on 8 November 2023 for the money to be returned to her bank account wasn’t completed until 15 February 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.

Mrs L has complained about our service’s handling of her complaint, and this has been addressed separately.

Mrs L had an ISA with another bank which she wanted to transfer to Virgin. She believed she had done everything correctly online via Virgin’s website, but Virgin said she hadn’t. Virgin said there’s been no bank error because Mrs L transferred her funds as a faster payment outward (FPO) and deposited this as a new subscription. And said it acted according to its normal approach where no transfer authority has been provided.

I was sorry to learn that what should have been a straightforward ISA transfer process has turned into a prolonged and drawn-out experience. Part of my role is to determine whether what took place was reasonable and whether the parties followed the process correctly. In assessing whether Virgin acted fairly, I’ve taken into account the relevant rules and guidelines along with good industry practice.

Virgin said the payment it received on 9 October 2023 wasn’t accompanied by an online ISA Transfer Authority Form which allows it to request the funds directly from the provider (Mrs L’s bank). Mrs L thought she had completed the online transfer form, but Virgin said when this happens a reference number is created which begins with ‘CISA’ and it said this wasn’t created until it received a transfer request from Mrs L’s bank on 14 February 2024, and Mrs L’s account closed. I haven’t seen any evidence Mrs L completed an online transfer form.

Mrs L acknowledges that Virgin told her on their call of 22 October that it hadn’t been provided with a transfer form and one was required. I can see that Virgin sent Mrs L a hard copy of the form to complete with its letter of 23 October. Virgin said it received Mrs L’s completed transfer form on 3 November, but it couldn’t do anything until Mrs L’s bank agreed to take her funds back.

The reason for this was that Mrs L had sent her funds by FPO, not via the ISA transfer process. Mrs L asked Virgin to prove she had made the payment this way rather than an online ISA transfer. I have seen a copy of Mrs L’s statement for her account, and this shows her payment of £20,817.33 to Virgin for the ISA as ‘FPO’. I think this provides the documentary proof of the payment carried out as Virgin and our investigator have described.

Virgin told Mrs L that it couldn’t just return the funds to her bank, and it needed their consent to accept them back to keep the ISA wrapper open. Virgin asked Mrs L to contact her bank to see if they’d be willing to do this for her as its permission was required. Mrs L may not have appreciated what was required here as she contacted her bank to pursue information about the transfer. It appears that Mrs L understood that her agreement with Virgin that the funds would be paid back to her bank would be sufficient to enable the funds to be returned.

The non-returned payment led Mrs L to make visits to her bank to try and find out why it was taking so long to get her money back and she emailed Virgin about this. Virgin said it left Mrs L a message on 7 November to call back so it could explain she needed to speak to her bank to ask if they'd accept the funds back and Virgin could then initiate the transfer.

Mrs L said Virgin wrote to her on 16 November incorrectly referencing her bank. She also received Virgin's final response letter of 8 November 2023 again stating she had not provided an ISA transfer form. I think it would have helped Mrs L if Virgin had responded more clearly and more promptly to her email in December 2023, but in February 2024 Virgin said it received authority as required and the ISA was transferred.

From what I have seen, when Mrs L's funds were received by Virgin without transfer authority, Virgin followed its policy of treating the funds as a new subscription. And as the limit for these is £20,000 Virgin correctly returned the excess sum of £817.33. It did this to Mrs L's bank account on 17 October 2023 after telling her by letter the day before.

Mrs L said Virgin didn't provide any information about the transfers or interest. Mrs L's account was for an online ISA, and so she could view any transactions, such as interest earned by signing into her account. Virgin doesn't send paper documents about the account.

I was sorry to learn about Mrs L's loss of interest on the account and the time she spent pursuing her ISA account and the expense of visiting her bank. In order to uphold this complaint I would need to find that Virgin had acted in error towards Mrs L's ISA application. Although I have found some of Virgin's communications to be careless about detail, such as Mrs L's bank and dates, I haven't found any evidence of a mistake in its handling of her ISA application and the funds and so I am unable to uphold her complaint.

I realise that Mrs L will be disappointed with this decision, but I have found that Virgin has acted towards her ISA application in accordance with its ISA process and the guidance it provides to customers online.

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 Mrs L to accept or reject my decision before 8 January 2025.

Andrew Fraser
Ombudsman