

The complaint

Mr H complains that he was misled by Paragon Bank Plc in its advertising and the design of its website to transfer his savings from an ISA to an ordinary savings account.

What happened

In December 2023, having seen that Paragon advertised better interest rates than the rate his ISA had, Mr H decided to transfer his ISA to take advantage of those rates. But he was told that he would have to open a new account. He applied online to transfer the full amount in his "Double Access ISA" to a "Double Access Issue 4 savings account". However he didn't notice that this was not an ISA until May 2024 when he attempted to transfer the funds, in what he thought was his ISA, to an ISA with another provider.

Mr H said he regularly logged in to check his account balances. But he thought that Paragon had an inadequate and misleading user interface: Whilst he was browsing the Cash ISA offerings, he clicked the access accounts filter option at the top of the list to narrow down the ISA options, compare interest rates and decide on which account to open. Unexpectedly, he has since found out, the filter button also added non-ISA products into the list alongside ISA accounts. This led him to inadvertently open and transfer all his ISA funds to a non-ISA account. He further said that Paragon do not display the account type to customers on their website either on the home screen when logging in or when selecting account details against an account. Because of this lack of information he says that he did not notice that the account was a non-ISA one until the new tax year, making it too late to transfer the funds back to within an ISA wrapper.

Paragon said that it understood that customers are aware of the account type they are choosing, due to it separating its savings accounts and ISAs into different sections on its website, as well as differentiating the accounts by incorporating the word ISA into its product names. It also said that the terms and conditions for any new account are made available to customers when applying who have to accept those to complete their application. However it appreciated that at the time this transaction took place, a warning message was not present to inform Mr H that his funds were being moved outside of an ISA product. In recognition of that it paid Mr H £25. However it said that it could not move the funds back into the ISA wrapper as the transfer had been carried out in the previous tax year.

On referral to the Financial Ombudsman Service, our Investigator said he'd not seen enough to suggest that Mr H wasn't given enough information to have made an informed choice. And that the information suggested that he likely made his decision at his own leisure and of his own volition.

Mr H disagreed and showed us screenshots of what he had seen when applying for the account, where he felt it showed that the information was misleading.

The matter has been passed to me for an Ombudsman's consideration.

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.

Mr H believes that he was both misled into applying for the non-ISA savings account and that Paragon's information about his account didn't show the type of account that he was holding. So he wasn't able to correct the error. Essentially he has said:

- The account type (ISA / non-ISA) is not mentioned, or discoverable, anywhere in the customer portal. This includes the 'Account details' page.
- The information shown on the 'Latest transactions' and 'Transaction statement' screens is identical between the ISA and non-ISA accounts, including the tax-relevant sections. Both account types display the monthly interest gains as 'gross', 'net' and 'tax amount', with 'gross' and 'net' being the same (100%) value in both ISA and non-ISA accounts, and the 'tax amount' showing as '£0.00' for both ISA and non-ISA accounts. As no tax is being applied, and no other information on these screens or elsewhere in the portal to suggest otherwise, it suggests the funds are still within an ISA wrapper.
- The 'Move my money' page displays a clear ISA-only warning message stating "*Any money withdrawn from an ISA to your nominated bank account or transferred to a non-ISA product will lose its tax-free status.*" followed by a "*What do I need to know about withdrawing from my Cash ISA?*" information section which clearly suggest funds are still within an ISA. He had seen this page whilst still in the 2022/23 tax year which again provided reassurance that his funds were being held by Paragon within an ISA wrapper.

I have seen the following screenshots, commented on them:

- A summary of Mr H's account headed "*Double access issue 4*" showing a balance as at 17/9/24. It does not mention "ISA".
- A summary headed "*Double Access ISA issue 1*" showing a 0 balance as at the date of transfer in December 2023. I recognise that this account has a similar name to the one above but it crucially, in my view, includes the word ISA.
- A screenshot headed "*Make a withdrawal or transfer*" which contains a warning about removing funds from an ISA which will lose their tax-free status. I presume that Mr H's issue here is that the warning shows up when the transfer of money is made but not when setting up a new account. I recognise that Paragon accepted it could have done that and it does now I believe include the warning. However I don't think that the lack of a warning, which isn't required by any regulations, should have misled Mr H to moving his monies out of the ISA account.
- A summary page showing 0 tax deducted. However this could equally apply to a non-ISA account and it is generally the customer's responsibility to account for any tax.
- A Welcome screen with the heading "*Your savings accounts*", and below that the account name of "*Double access issue 4*" showing the balance and the interest rate. Below that it is in a box it says "*Make the most of your ISA allowance this new tax year*" and then below that a box saying "*Don't need to access your money straight away?*" and lastly one saying "*Flexible ISAs and ISA wallet*". All of these have a button for the customer to select to provide further information. So I don't think that this mixes the accounts together rather it provides a list of the accounts that are available and then

invites the customer to look for the information.

So I don't think that the information provided on Paragon's website was misleading or that the ISA accounts were not distinguished from other accounts.

However if Mr H was misled by the advertised higher interest rates and being told to open a new account to take advantage of them he did have a responsibility to check that he was setting up the right savings account. I bear in mind that in order to apply for the account he had to accept the terms and conditions of that particular account. And that he is experienced at investing and regularly checked the accounts online. The transfer could have been reversed at any time within the ensuing three months, and I'm satisfied that there was sufficient information about the accounts online to enable that to take place.

So whilst I understand Mr H's frustration that his savings no longer had the tax free status he had built up, I can't find that Paragon did anything wrong. So I don't think it would be fair and reasonable to expect it to take any further action.

Overall, whilst it wasn't required to, Paragon did agree that a warning could have been provided. But I don't think in the circumstances of this case Mr H was misled or that the website didn't distinguish clearly the names of the accounts.

My final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 December 2024.

Ray Lawley
Ombudsman