

The complaint

Mrs A complains that The Royal Bank of Scotland Plc ('RBS') has acted unreasonably in relation to the transfer of an existing stocks and shares ISA to an RBS cash ISA.

What happened

Mrs A is represented in part by her husband Mr A, in bringing the complaint. Mr and Mrs A were existing clients of an adviser from another business, from whom they received ongoing investment advice. I'll call that business the 'transferor'.

On 28 June 2023, Mr A instructed the transferor to sell down the assets in his and Mrs A's ISAs in order to transfer it to a cash ISA. They say they did so because they no longer wished to expose their capital to the fluctuations of the stock market. The transferor began the process the following day.

On 29 June 2023, Mrs A set up a one-year fixed rate cash ISA with RBS, with a £1,000 deposit. That same day, Mr A asked the transferor to move the funds quickly to the new ISA.

On 3 July 2023, the transferor contacted Mr and Mrs A to ask where the funds should be sent, as the process of selling all the assets wrapped in the stocks and shares ISA had since completed. Mrs A provided account details to the transferor the following day. Thereafter, the transferor set up the instruction with RBS, with confirmation that it would be completed by 7 July 2023 – which RBS agreed to.

However, upon receipt of the transfer, RBS did not transfer the entire cash ISA funds (totalling £64,058.86) to the account details Mrs A had given. Instead, it split the transfer across two accounts – with £19,000 utilising the remaining subscription in Mrs A's new cash ISA and the remaining £45,058.86 in another RBS savings account in Mrs A's name.

Mr A says they were shocked to discover on 8 July 2023 that over £45,000 of Mrs A's capital was now placed in a taxable savings account. He therefore lodged a complaint. The matter thereafter took many months to be rectified between the transferor and RBS. The full ISA transfer was eventually completed in September 2024.

In August 2023, RBS rejected the complaint. It said that the account had only been credited with £20,000 because Mrs A had set it up incorrectly. It noted how in order to remain within the ISA bracket via transfer, Mrs A needed to ensure that she completed an ISA transfer request rather than an ordinary faster payment. RBS did not agree it had made any errors in relation to that issue because its website and terms and conditions explained how a customer should action a transfer in the correct manner.

However, RBS did note that Mrs A had tried to call it on 17 July 2023 about the matter and was promised a reply from the support team – which was not actioned. RBS transferred Mrs A £60 as compensation for that oversight.

Mr A then brought complaints about both businesses to this service. He also brought separate complaints on the same basis on behalf of Mrs A. The other three complaints are

all distinct from this complaint and I shan't be addressing them any further here. This decision is limited to Mrs A's complaint about RBS.

One of our investigators reviewed the complaint and concluded it should be upheld. He felt that – having liaised with HMRC – the best approach was for RBS to return the funds to the transferee so it could reinstate the funds in full by sending it back to the transferee's agreed ISA wrapper. Any taxable interest could be reimbursed, and compensation for distress could be paid separately.

Thereafter, the transferor and RBS liaised with one another to resolve the matter for Mr and Mrs A across their four linked complaints. On 11 September 2024, the RBS confirmed it had restored Mr and Mrs A's accounts, with their full transfers being correctly ISA wrapped.

A second investigator then reviewed the complaint. She said RBS and the transferor had knowledge of the business processes required to correctly undertake the transfer – not Mrs A. In her view, If RBS had rejected the payment and contacted Mrs A and/or the transferor, then it would have determined that all of the funds were destined for her ISA and it could have ensured that the correct forms were completed before transfer. If this had happened then the funds would have been held in Mrs A's ISA with the transferor until the parties could facilitate the transfer.

Ultimately, she felt RBS bore the primary responsibility for accepting the payment, and it ought to undertake an exercise to place Mrs A's account in the position it would be in but for the ongoing mistakes in failing to transfer the funds in their entirety in the first place. She also believed £500 should be paid to Mrs A for the ongoing upset she had suffered.

Mrs A said she did not accept the investigator's view on the complaint and she wanted it to be passed to an ombudsman. She said, in summary:

- It is only the intervention of one helpful staff member from RBS over a year later that has finally seen the funds be placed back into ISA wrappers.
- The new ISA was only set up at 4.7% interest fixed for one year – so carrying this issue on into another year may have lost interest for both Mr and Mrs A's accounts.
- RBS should give clarification that the correct and complete interest has now been awarded for their accounts.

RBS did not reply nor add any additional comments.

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.

This service's role is to investigate disputes and resolve complaints informally, whilst taking into account relevant laws, regulations and best practice. In reaching my decision, I'll focus on the issues I believe to be central to the complaint to decide what I think is fair and reasonable in all of the circumstances. We are not a court; and though there are rules I may rely on in respect of complaint handling procedures, I am not required to comment on each point or make specific determinations on every submission put forward by the parties.

Mr A and his wife have each brought complaints to this service about both RBS and the transferor's actions in relation to their individual investments, as they were both seeking to transfer their investment ISAs to cash ISAs at the same time. This has resulted in four linked complaints being pursued at this service. Though these decisions will include much of the same wording, they are each individual - and this decision is specific to Mrs A's complaint

about RBS.

From my review of this complaint, I appreciate the depth of feeling Mr and Mrs A have about this matter and I realise their view is that the liability for the failed transfer rests with the transferor. However, I agree with our second investigator that the liability for matters going wrong is split between all of the parties. Mistakes were made by both the transferor and (predominantly) RBS; and I agree that the notable redress for these ongoing errors falls with the transferee.

On general grounds, I'd expect to see that a business moves an ISA transfer along as quickly as is practicable in the circumstances. Each stage of a transfer may necessitate a different amount of human intervention and effort. Normally, in order to decide how long a transfer ought to have taken, I'd take into account a business's own service level agreements and any wider standards. Furthermore, industry guidance requires transfers of this type to be completed within 30 calendar days. Cash ISA transfers have a shorter time limit of 15 working days.

RBS initially rejected the complaint, since it felt that the transferor was entirely at fault for having sent funds to the 'wrong' account. The transferor completed Mrs A's transfer far more quickly than the required guidance; it was in a position to transfer the capital to the transferee within one working week. However, the transferor did err when sending the funds – because the staff member that took the new account details did not identify that those details came from Mr and Mrs A, rather than from RBS. The correct process would have been for RBS to have forwarded these once Mrs A had completed an ISA transfer form.

Mrs A opened up a new ISA with RBS, because it offered a preferential one-year interest rate for 2023/2024. However, during this process, it became apparent that Mr and Mrs A had mistakenly set up a new ISA account, not a transfer account. This meant the account could only be funded with an additional £19,000 for the current tax year. Mrs A submits that she was unaware that she had to complete a transfer form – which should have been undertaken in order to facilitate a transfer.

Even if I accept that Mrs A mistakenly set up the wrong type of ISA, RBS did not act reasonably or correctly with its subsequent actions. On receipt of the funds from the transferor, it should have contacted Mrs A as the amount exceeded the subscription limit by £45,058.86 – and RBS identified this by using a description "*ISA SUBS EXCEEDED PART OF £64,058.86*". Eventually, the oversubscribed sums of £45,086.86 were placed into one of Mrs A's existing RBS savings accounts.

So, it follows that – in my view – RBS should never have proceeded with accepting the funds into the new account and paying the oversubscription elsewhere. Its terms and conditions explain how it will contact customers in the event of incorrect payments, and I believe that's what should have happened here. I therefore believe the complaint should be upheld on the basis that RBS failed to correctly facilitate the transfer, and because it perpetuated matters by allowing the received cash to be paid incorrectly into the new ISA and other existing accounts.

What this service does is consider if a business has treated its customer(s) unfairly because of actions or inactions. And if it has done so, we then go on to consider what ought to be done to put the mistake(s) right. Had RBS reverted to the transferor and liaised with Mrs A in having her complete the required form, I believe the full transfer could have been undertaken no later than 28 July 2023 – that being 15 working days from when the funds were available from the transferor as cash (and within the 30 calendar day overall limit for other types of transfer).

I am pleased to note that as of 15 August 2024, RBS had committed to putting matters right for Mrs A. It has since confirmed how *“the accounts involved will all need to be reconstructed as the other savings accounts interest should also be added to the Fixed Rate ISA and a recalculation done to ensure the customers receive the interest they should have if the funds had been held in the ISA all along”*. RBS has also agreed that in doing so, it will provide a HMRC correction letter to Mrs A to rectify any overpaid interest.

I note Mr A has explained that the fixed rate for his and Mrs A’s RBS ISA (of 4.7%) ended on 7 August 2024 and the next best available rate with RBS would have been 4.45%. Mrs A also says she has now transferred her funds elsewhere to a third business, to maintain the 4.7% rate. I haven’t seen evidence of this. However, Mrs A would have had to take steps to set up a new ISA at a preferential rate, once the one-year fix had ended in any event. I do not believe RBS should be held accountable for this, given Mr A says they have now transferred the funds elsewhere. If Mrs A feels she could have received the ongoing rate with RBS, she is free to raise that as a distinct complaint, if needs be – as it does not form subject of the existing complaint brought to this service.

As well as putting right any financial losses in a complaint (which involves RBS restoring the ISA wrapper and correcting any interest paid to ensure it is free of tax) we also consider the emotional or practical impact of any errors on a complainant. In doing so, we do not fine or punish businesses; that regulatory role falls to the Financial Conduct Authority.

It may be helpful for Mrs A to review to the guidance available on our website around the amounts and types of awards made in instances of upset, trouble, inconvenience and distress caused by businesses in the complaints we see at this service.

Considering the impact of RBS’s mistakes, I agree that an award of £500 should also be paid to Mrs A as compensation. The impact of RBS mistakenly accepting the funds to an incorrect account has been notable, and Mrs A has set out the anxiety and upset caused by the prolonged situation – which has taken a considerable effort in a period of more than one year to resolve. I therefore think £500 is fair in these particular circumstances.

Putting things right

RBS should have rejected the payment of £64,058.86 received on 7 July 2023. Instead, it should have liaised with Mrs A and the transferor to have the funds correctly placed into the one-year fixed ISA (at the 4.7% interest rate agreed with Mrs A). For the reasons explained, I believe this transfer should have concluded in full by 28 July 2023. Instead, £19,000 of the amount was placed into the ISA on 7 July 2023, and the remainder of the transfer was placed into an account ending #023.

To resolve matters, RBS must provide a clear calculation to Mrs A of the interest the full transferred sum would have received from the complete transfer of £64,058.86, up to 7 August 2024 at the rate of 4.7% gross per annum within the ISA wrapper (‘A’). It must then compare this to the interest Mrs A actually received in the ISA and from the account #023. that was subject to tax (‘B’). If (calculating A minus B) any shortfall of interest to 7 August 2024 is due to Mrs A, it must be paid to her without income tax as if it had been received in her cash ISA in the 2023/24 (and part of the 2024/25) tax year – placing her in the position she would have been in but for the mistake.

If any shortfall is due but not returned to Mrs A within 28 days of confirmed acceptance of the decision, RBS must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

As set out, if RBS deems it is required to make income tax corrections to HM Revenue and Customs, it must also supply this information to Mrs A in a clear and accessible format.

Finally, I direct RBS to pay £500 to Mrs A, to reflect the upset, distress and worry she has been caused for a prolonged period, following the failure to correctly assist her with the ISA transfer.

My final decision

For the reasons explained, I uphold this complaint. I direct The Royal Bank of Scotland Plc to undertake the redress steps I have set out above. I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 13 January 2025.

Jo Storey
Ombudsman