

The complaint

Mr S is unhappy that National Savings and Investments won't credit his reinvestment with an interest rate they incorrectly told him that he was guaranteed to receive.

Mr S was assisted in his interactions with NS&I by his wife, Mrs S. However, for ease of reference, I'll refer solely to Mr S throughout this letter.

What happened

Mr S held a one-year Guaranteed Income Bond with NS&I which was due to mature on 2 February 2024. Approximately a month before the Bond was due to mature, NS&I sent Mr S a letter detailing his options for the investment at the point of maturity. These options included that Mr S could roll the Bond over for a further year, or that he could choose a longer investment term, including a five-year option.

Having received the impending maturity letter, Mr S spoke with NS&I and discussed his renewal options several times during January 2024. On one of these calls, which took place on 8 January 2024, the rates of interest being offered at that time on the one-year and five-year renewal options were discussed – these rates being 5.27% and 5.37% respectively.

On that same call, Mr S asked NS&I's agent whether the 5.37% five-year interest rate was guaranteed. In response, NS&I's agent explained that it was and said that Mr S was guaranteed to receive an interest rate of at least 5.37%, should he elect to renew his investment for a five-year term – so long as Mr S instructed the five-year renewal term at least two working days before the maturity date of his present investment.

However, when Mr S called NS&I to instruct the renewal of his Bond over a five-year term a few weeks later, on 22 January 2024, he was told that the 5.37% interest rate wasn't guaranteed and that NS&I had lowered the interest rates for five-year reinvestments, with the applicable rate now being 3.11%. Mr S wasn't happy about this and felt that NS&I should honour the 5.37% he'd been told was guaranteed. So, he raised a complaint.

NS&I responded to Mr S and apologised that he'd been incorrectly told that the five-year reinvestment rates were guaranteed when that wasn't the case. NS&I made a payment of £75 to Mr S as compensation for any trouble or upset he may have incurred as a result. But NS&I didn't feel that because Mr S had been incorrectly told that the 5.37% interest rate was guaranteed meant that they should provide that interest rate to Mr S over his five-year renewal term, and so didn't uphold that aspect of Mr S's complaint. Mr S wasn't satisfied with NS&I's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They didn't think NS&I should be asked to honour the 5.37% five-year interest rate as Mr S wanted. But they didn't feel that NS&I had fully grasped the impact that the provision of misinformation had had on Mr S and said that NS&I should pay a further £125 compensation to Mr S, taking the total amount payable to £200. Mr S remained dissatisfied and continued to feel that NS&I should honour the 5.37% interest rate, so the matter was escalated to an ombudsman for a final decision.

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 issued a provisional decision on this complaint on 23 July 2024 as follows:

Mr S has said that he faces a significant financial loss because NS&I won't honour the 5.37% five-year renewal interest rate that he was told was guaranteed. However, for Mr S to have incurred a financial loss here as he believes was the case, it must have been possible for him to have obtained the 5.37% interest rate for his renewing investment at any time. And this was not the case.

When NS&I sent Mr S the pre-maturity letter in December 2023, that letter included the following in respect to Mr S's investment renewal options:

"Option 1: renew for another 1-year term

On its maturity date your Guaranteed Income Bond will automatically start a new 1-year term at the new rate of 5.27% ... unless you choose one of the other options. Even if the rates on offer on Guaranteed Income Bonds fall between now and the maturity date, you'll still earn the rate quoted above if you renew your investment for a further term of the same length. If the rates go up between now and the maturity date, you will receive the higher rate.

Option 2: renew for a term of a different length

You may choose to keep your money in Guaranteed Income Bonds but invest for a different length of time...

If you choose this option, we will invest your money in the issue that is on offer when your investment matures. The interest rates on offer could go up or down between now and the maturity date. We'll send you confirmation shortly after the renewal date."

It's clear from the above that it was always the case that if Mr S chose to renew his Bond over a five-year term – thereby changing the term of his investment from one-year to five-year – that the rate of interest that would be applied to the reinvestment would be the rate on offer at the time of maturity and renewal.

In this instance, while NS&I sent their first pre-maturity letter to Mr S in December 2023, and while Mr S spoke with NS&I several times in January 2024, the maturity date of Mr S's Bond was 2 February 2024. This means that if Mr S did want to change the term of his investment to a five-year term at the point of renewal, then it was always the case that it would be the five-year interest rate being offered by NS&I on 2 February 2024 that Mr S would have received. And it was never the case that Mr S could have received any rate other than the five-year rate being offered by NS&I on 2 February 2024.

NS&I's website provides a list of historical interest rates offered on their various products. And, for five-year NS&I Guaranteed Income Bonds, the following rates for the following periods are confirmed:

*From 30 August 2023: 5.37%
From 10 January 2024: 4.02%
From 22 January 2024: 3.11%*

When NS&I first sent a pre-maturity letter to Mr S in December 2023, the interest rate on offer at that time for five-year reinvestments was 5.37%. But by the time Mr S's Bond matured, on 2 February 2024, the five-year interest rate had dropped to 3.11%.

And because – as NS&I's pre-maturity letter explains – the interest rate for change-of-term-length reinvestments was the interest rate being offered at the time of the reinvestment, this means that Mr S could never have received the 5.37% interest rate for a five-year reinvestment, because that rate wasn't on offer at the time his Bond matured and when reinvestment occurred.

Instead, if Mr S wanted to renew his Guaranteed Income Bond over a five-year term, it was always the case that he would have received the 3.11% interest rate that he did, because that was the rate that was on offer on the date of maturity and investment. And this ultimately means that Mr S hasn't incurred the loss that he believes that he's incurred here, because it was never the case that he could have obtained the higher rate of interest that he's unhappy about not receiving.

What has happened here is that Mr S has been given incorrect information about the interest rate he could expect to receive on a five-year reinvestment. And this led to Mr S having an incorrect expectation about the interest rate he should have received.

I've listened to several calls between Mr S and NS&I, including the call that took place on 8 January 2024 when Mr S was incorrectly told that the five-year interest rate of 5.37% that was on offer at that time was guaranteed.

What should have happened on that call was that Mr S should have been told that the only rate of interest that was guaranteed was the 5.27% rate being offered if Mr S chose to roll over the Bond for another one-year term. And it should have been confirmed to Mr S that if he wanted to change the term of his Bond at the point of maturity and reinvestment, for instance to a five-year term, that the rate of interest that would be applied to the reinvestment would be that which was on offer on 2 February 2024, the date of maturity, which could potentially be lower than the rate of interest currently on offer.

When a business has made a mistake, as NS&I accept that they did here by incorrectly telling Mr S that the 5.37% five-year interest rate was guaranteed, it would generally be expected by this service that the business would take the corrective action necessary to restore the affected customer to the position they should be in, had the mistake never occurred.

I don't feel that NS&I have done that here, because I feel that it may have been the case that if Mr S had been given the correct information on the 8 January 2024 call about the interest rates available to him, that he may have chosen to roll over his Bond for a further one-year term at the point of maturity, which would have benefited from the 5.27% interest rate that was guaranteed for such a same-term roll over.

Accordingly, I'll be provisionally upholding this complaint and giving Mr S the option of whether he would like to maintain his Guaranteed Income Bond in its present state – which I understand as being reinvested over a five-year term with the correct 3.11% interest rate – or whether he would like NS&I to change the term of his Bond from the point of maturity on 2 February 2024 to a one-year term, which would benefit from a 5.27% interest rate for that one-year term but which would then be renewable in February 2025 at the rates offered by NS&I at that time.

I'm also in agreement with our investigator that NS&I haven't fully grasped the impact of

what happened here on Mr S, including the frustration and dismay that the provision of incorrect information caused him, and I feel that our investigator's recommendation that NS&I should pay a further £125 to Mr S is a fair and reasonable one and would represent a fair outcome to this complaint. As such, I also include this payment of a further £125 compensation to Mr S in my provisional decision.

In arriving at this position, I've considered the impact of the provision of incorrect information on Mr S, alongside the fact that this compensation is for the provision of incorrect information only. And I've also considered the general framework this service uses when assessing compensation amounts, details of which are available on this service's website.

NS&I may point out that their pre-maturity letter did provide the correct information to Mr S. But having listened to the 8 January 2024 call, it's clear that Mr S was unsure whether the five-year interest rate was guaranteed and specifically asked NS&I's agent about this. And NS&I's agent was very confident that the incorrect information they gave to Mr S was correct, even going so far as to state that he'd worked at NS&I a long time and that he knew what he was talking about. Accordingly, I don't feel it was unreasonable for Mr S to have accepted the information given to him by NS&I's agent on that call.

Mr S responded to my provisional decision and explained that it wasn't the case that he accepted a five-year reinvestment with NS&I at 3.11% but that he accepted a one-year reinvestment at 5.27%.

Mr S also explained that he was conscious of falling interest rates in early 2024, and that therefore if he had been given the correct information by NS&I on 8 January 2024, that he would have shopped around and arranged for a five-year investment of a similar type with an alternative provider which did allow him to 'lock-in' an interest rate for his 2 February 2024 maturity date at that time.

This led me to issue a second provisional decision on this complaint on 24 October 2024 as follows:

I accept Mr S's statement [that he would have sought an alternative investment opportunity had he been told the correct information by NS&I's agent]. And so, I've contacted three different alternative investment providers that Mr S has said he would have approached and asked them what interest rate Mr S would have been able to 'lock in' for an equivalent five-year investment beginning 2 February 2024, if he had contacted them on or around 8 January 2024.

Two of the investment providers came back and said that they didn't feel that they had an equivalent product, with one provider noting that they only offer fixed-interest deposits for a twelve-month term.

The third provider did confirm that they offer an equivalent product but explained that Mr S wouldn't have been able to 'lock-in' a rate for the five-year bond on 8 January 2024, but that the rate Mr S would have achieved for the five-year investment would have been the rate that was available to him on 2 February 2024. That the five-year rate could only be confirmed on the investment date is the same as NS&I. And this third provider also confirmed that the applicable rate on that date would have been 3.18%, which I consider to be comparable with 3.11% rate Mr S was offered by NS&I.

Accordingly, I'm not convinced that Mr S could have obtained a guaranteed rate on 8 January 2024 for an equivalent five-year investment beginning 2 February 2024 as he feels

was the case. And I feel that the 'loss' that Mr S is concerned about here would unfortunately always have been incurred by him, because of the unlucky fact that his date of maturity was shortly after a notable drop in available interest rates.

Mr S might argue that he would have considered alternative (i.e. non-equivalent) investment products, or that he might have accepted an early withdrawal penalty from NS&I in order to obtain a more beneficial five-year rate for his money on the correct assumption that interest rates might go down in the near future.

But this service, being an informal service and not being a Court of Law, will only consider claimed losses such as Mr S is seeking here in consideration of equivalent investment products. If Mr S feels that he can demonstrate that he would have acted to obtain a non-equivalent product or that he would have ended his NS&I investment early with penalty, then I feel that it would be for Mr S to demonstrate this, and any losses he feels result from it, in a Court of Law.

In consideration of the above, I feel that when Mr S contacted NS&I on 22 January 2024 and was told that the applicable interest rate for the five-year reinvestment had dropped to 3.11%, that Mr S did obtain a fair outcome in regard to his investment options.

This is because, as explained, I don't feel that Mr S would have been unable to obtain a notably better rate than 3.11% on a five-year reinvestment, such that his decision to instruct a one-year reinvestment at 5.27% was based on a fair offering of the reinvestment options available to him at that time. And because of this, my provisional decision here won't include any instruction to NS&I to potentially change Mr S's current one-year investment which will mature in February 2025.

However, it remains my position that the inaccurate information that NS&I have provided to Mr S caused him to hold an incorrect expectation of the investment options that would be available to him, and that this in turn has unfairly caused Mr S a degree of frustration and inconvenience that isn't reasonably addressed by NS&I's payment of £75 compensation to him. And because of this my provisional instruction that NS&I should pay a further £125 to Mr S remains in place, for the reasons I've previously described.

Neither Mr S nor NS&I responded to my second provisional decision. NS&I did respond to my initial provisional decision and explained that they felt that the £75 compensation that they'd already paid to Mr S was a fair compensation amount in light of what had happened.

I don't agree with NS&I in this regard, for the reasons explained above, and I continue to feel that Mr S has unfairly experienced a degree of upset and inconvenience for which the payment of a further £125 compensation, taking the total compensation amount payable to Mr S to £200, is fairly merited here.

As such, I see no reason not to issue a final decision here whereby I uphold this complaint in Mr S's favour on the basis described above. And I therefor confirm that my final decision is that I do uphold this complaint in Mr S's favour on that basis accordingly.

Putting things right

NS&I must pay a further £125 to Mr S, so that the total amount of compensation payable to him is £200.

My final decision

My final decision is that I uphold this complaint against National Savings and Investments on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 December 2024.

Paul Cooper
Ombudsman