

The complaint

Ms C complains about the service she received from Lloyds Bank PLC ("Lloyds") when transferring her ISA over from another provider.

What happened

Ms C opened a fixed rate cash ISA with Lloyds on 25 April 2024. Ms C says she spent over an hour at a branch of Lloyds arranging the transfer of funds held in her ISA into this and that she made several return visits and phone calls to Lloyds but despite this there were unacceptable delays in the transfer of her ISA.

Lloyds confirmed that the funds from the ISA Ms C was transferring were received by it on 1 August 2024.

Ms C raised a complaint with Lloyds about the service she received during this process and having not had a response referred her complaint to this service.

Lloyds accepted that its service fell short of its high standards and after reviewing Ms C's complaint it provided feedback to the branch manager. To put things right for Ms C it calculated the loss of interest from 24 April 2024 to 31 July 2024 at the rate of 4.51% totalling £754.74 and added this to the accrued interest on her ISA and confirmed it would be paid directly to the ISA on the next interest application date. Lloyds also paid compensation of £250 to Ms C for the distress and inconvenience caused.

One of our investigators looked into Ms C's concerns but thought what Lloyds had done to put things right and the compensation paid was fair and in-line with the services approach.

Ms C disagreed. Although she accepts Lloyds have compensated her for the delays she experienced in transferring her ISA she says that she specifically asked for the interest on the ISA to be paid into her current account so she could withdraw it as and when required. But instead of doing this Lloyds have been paying the interest into her ISA which she isn't able to access without penalty.

Lloyds say Ms C made no reference to this complaint point in her original complaint to it. It says when choosing an ISA you can select to have interest paid monthly or annually but the account conditions do not advise that the interest is paid into any other account than this which means accrued interest is applied into the ISA account.

Our investigator looked into this but also didn't think Lloyds terms and conditions allowed interest to be paid into an alternative account as Ms C suggested.

Ms C disagreed, she says the terms and conditions say that interest can be paid into a nominated account. Ms C says as a result of Lloyds errors she's had to find alternative means to supplement her income over the last six months.

Ms C says she doesn't want the past months interest paid to her now but going forward wishes the interest to be paid to her current account and has asked for an ombudsman's decision.

I issued my provisional decision on 12 November 2024. In my provisional decision, I explained why I was proposing to uphold Ms C's complaint. I invited both parties to let me have any further submissions before I reached a final decision. Both parties have indicated they accept my decision and Ms C has added further comments but this doesn't change my initial findings.

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.

In my provisional decision I said that:

"It might help if I explain here my role is to look at the problems Ms C has experienced and see if Lloyds has done anything wrong or treated her unfairly. If it has, I would seek – if possible - to put Ms C back in the position she would've been in if the mistakes hadn't happened. And I may award compensation that I think is fair and reasonable.

And having looked at everything I'm in agreement with Ms C that Lloyds has made an error when stating it is not possible to have the interest from her ISA paid to an alternative account.

I say this as there is a link to the terms and conditions provided within the summary information on the ISA on Lloyds website and it says:

"We pay your interest into your account, or you can ask us to pay it to another account."

Lloyds has now accepted it made an error here and so all I need to decide is what Lloyds needs to do to put things right. Ms C has said that she doesn't want the past few months interest paid into her current account but going forward she wants Lloyds to do this. So I think Lloyds should as early as possible make this change and have the interest earned on Ms C's ISA paid to an account nominated by Ms C.

And while I appreciate that Ms C hasn't suffered a financial loss – as the interest has been paid into her ISA – Ms C has lost the use of the interest as she isn't able to access this money without suffering a penalty. So on this basis I currently think Lloyds should compensate Ms C a further £200 for the distress and inconvenience this caused which Lloyds has indicated it is willing to pay."

As neither party has provided any further evidence or arguments for consideration that I think changes my findings, I see no reason to depart from the conclusions set out in my provisional decision. It follows that I uphold this complaint.

My final decision

For the reasons I've explained I uphold Ms C's complaint and direct Lloyds Bank PLC to pay Ms C a further £200 compensation and make the changes to the payment of interest to her account as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 13 December 2024.

Caroline Davies
Ombudsman