

The complaint

Mr H complains that he was unable to open fixed rate ISAs with Zopa Bank Limited trading as Zopa. As a result he has lost out on the higher interest rates available at the time.

What happened

In December 2023, having received an e-mail from Zopa saying he could now invest in ISAs, Mr H attempted to open a fixed rate ISA on the app. However the app kept showing that there was an error and would not allow him to invest any money in a new ISA. He contacted Zopa's customer service advisers on several occasions, and they said that the app was showing that he had already invested the maximum allowed during that tax year. In fact he was trying to transfer ISAs which he had with another bank, opened in previous tax years.

The advisers that he spoke to initially said that the rules would not allow the transfer as Mr H had already funded up to the maximum allowed. They later agreed to put the matter forward and on advice Mr H transferred funds into an ISA pot with Zopa. This had a time limit before transfer into an ISA within which the interest rate would be available. However because time was running out and he hadn't been told whether the problem had been fixed, he was able to transfer the money from one ISA and managed to open a new ISA. This was a variable rate cash ISA rather than a fixed rate one. He wasn't able to transfer the other ISA in time, because the app would only allow one application to proceed at a time.

Zopa, in its response to Mr H's complaint, admitted that its advisers had advised him wrongly. It offered £100 compensation for the inconvenience caused by it having given him the wrong advice. But it didn't offer any compensation for financial loss.

On referral to the Financial Ombudsman Service, our Investigator proposed that Zopa pay compensation to put Mr H in the position he would have been if he'd been able to open his ISA in December 2023. He further proposed that Zopa increase the compensation to £250.

Zopa said that it could not backdate the ISA. It was however prepared to pay Mr H compensation for the interest that Mr H had lost, which it calculated at £195. It was further prepared to increase the compensation for distress and inconvenience to £200.

Mr H pointed out that he had tried to transfer for a number of days, and that he hadn't been told by Zopa that he was now able to use the app. He was also not able to do the transfer of both ISAs in time. And because the interest rates were going down he didn't feel he could transfer the other ISA. He also said that because of all the extra research he'd had to do, and, he believed, Zopa had tried to mislead this Service, he didn't feel that £250 compensation was sufficient.

Zopa was not prepared to increase the compensation. It pointed out that Mr H had the cash ISA which has a higher (variable) interest rate. It said there was no evidence that Mr H had wanted to transfer both ISAs. It doubted that he would have been able to do this in time anyway.

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.

In respect of the ISA which was transferred, I note that Zopa has agreed that its advisers didn't give Mr H the right advice. This means that he should have been able to transfer his ISA before the interest rates went down. Zopa has said that it can't backdate the ISA as its systems won't allow it. I think it has proposed a reasonable alternative in that it is prepared to pay the difference in the interest rate over the five years, up front. This amounts to £195 and Mr H will be free to invest that back into the ISA, or should he choose to do so put into a new ISA.

Mr H says he wanted to transfer his other ISA of a similar amount. Zopa has said that Mr H wouldn't have been able to transfer both ISAs within the 15 days allowed. It also said that Mr H still hasn't transferred his other ISA. So it has declined to compensate him for the lost interest. Listening to the phone calls, I think that Mr H told the advisers several times that he had two ISAs he wanted to transfer. It also appears that Zopa didn't come back to Mr H in response to his complaint during the time when he would've been able to transfer at the higher rate. I accept his point that he was concerned about locking his funds into a fixed rate where the interest rate was going down.

Looking at the question of whether Mr H would have been able to make the transfer of both ISAs in time, I've taken account of the fact that he couldn't do both transfers at the same time. However, I think he would have been just in time had he been able to transfer them over the app. And although 15 days is allowed under the government guidelines, I've noted that the ISA Mr H did manage to transfer took around 7 days to go through. In the circumstances I think it fair that Zopa should also compensate Mr H for the lost interest on the second ISA. As of 21 December 2023, the ISA balance stood at £6,365.24. So Zopa should perform a similar calculation of the interest as it did with the other ISA and pay this lost interest to Mr H.

As regards compensation for distress and inconvenience, Zopa has offered £200. Our Investigator has proposed £250. Mr H feels he should be paid more because of the substantial amount of extra work he has had to put into making his complaint. And because he believes that Zopa has deliberately attempted to deceive us.

In December 2023 and January 2024 Mr H was put to a good deal of inconvenience when speaking to various advisers. He had to spend a lot of the time on hold and he was given the wrong advice. I think £250 is the right payment to make here – it is a fair sum which reasonably, in my view, reflects the upset Mr H was caused by Zopa's failings. Whilst I appreciate that Mr H has had to put in a lot of work to make his complaint, as our Service is free for consumers to use, we wouldn't ask a business to pay for the costs to the consumer of making a complaint. And Zopa is allowed to defend its position even though Mr H thinks it was wrong to do so.

Putting things right

Zopa should pay compensation as follows:

In respect of the ISA transferred, £195.

In respect of the second ISA, as referred to above, it should calculate the interest on the balance, as of the date of transfer of the other ISA. This should be done using the same dates and calculations as it did for the first ISA.

£250 for distress and inconvenience.

My final decision

I uphold the complaint and require Zopa Bank Limited trading as Zopa to provide the remedy set out under “Putting things right” above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr H to accept or reject my decision before 6 January 2025.

Ray Lawley
Ombudsman