

The complaint

Ms H complains that Aldermore Bank Plc (“Aldermore”) terms weren’t clear about when it paid interest and that it was wrong to deduct penalty interest when she withdrew the funds from her ISA with it. In particular, Ms H says Aldermore didn’t apply interest on the correct date when changing her interest payments from monthly to annually and incorrectly charged penalty interest on her full closure balance when she’d given a number of individual 30-day notice of withdrawal’s to cover her full balance.

What happened

Ms H opened an ISA with Aldermore and first deposited funds into the account on 3 January 2020 electing to have interest paid monthly. Interest was paid monthly on the 3rd day of every month until Ms H changed interest payments on her account on 15 December 2022 from monthly to annually.

The account terms and conditions state:

“You can change where interest is paid and the frequency it’s paid in internet banking. If you choose to receive interest monthly we’ll pay your first interest payment on the same day of the month that you first paid money into the account....If you choose to receive interest annually, we’ll pay your interest payment on the same day that you FIRST paid money into the account...”

Following Ms H changing her interest payment from monthly to annually Aldermore say the next interest payment date would’ve been on 3 December 2023 – the last interest payment before this being applied on 3 December 2022.

Ms H says this is wrong as she believes interest should have been paid on 3 January 2023 – as that is the anniversary date of when she first funded the account - and so complained about this to Aldermore.

Ms H wished to move her ISA to another provider “X” and on 11 April 2023 Aldermore received a request from X for immediate transfer of the balance on Ms H’s ISA. The following day Aldermore accepted and authorised the request and sent X the balance of £1,002.95 less £2.27 penalty withdrawal interest which Ms H also complained about.

Aldermore didn’t uphold the above complaint points, it said as Ms H’s account was closed prior to the interest payment date of 3 December 2023 all interest accrued was calculated from the last interest payment date to closure on 13 April 2023 and paid minus the interest penalty deduction of £2.27. It didn’t agree had acted unfairly or did anything wrong in deducting the £2.27 interest penalty from Ms H’s ISA balance on transfer to X as the closure of the account was subject to a minimum notice period as per it’s terms and conditions. As Ms H had only given notice on the account to withdrawal £200 a interest penalty was calculated on the balance and deducted accordingly.

Ms H was dissatisfied with all this and so brought a complaint regarding this and other complaint points to this service. Ms H says she had a standing order set up to have £200

each month leave her account and transferred to another account on 30-day withdrawal notice. Ms H believes as this was an ongoing arrangement the full balance of £949.47 was on a withdrawal notice and so there shouldn't have been a £2.27 withdrawal fee charged. She says that Aldermore should have offered her a 60-day closure without penalty because its terms were unclear.

Following this and as a gesture of goodwill Aldermore refunded Ms H the £2.27 back into her account.

One of our investigators looked into all Ms H's concerns but didn't agree Aldermore had made an error or treated Ms H unfairly regarding the above complaint points. They thought that the terms and conditions had made it clear that interest would be paid on the same day that funds were credited to the account – in Ms H's case the 3rd day of the month – and as such the correct payment date annually was on 3 December 2023 following Ms H electing to change from monthly to annual interest payments in December 2022.

Furthermore, they didn't agree that because a standing order with future notices were set up that this had the effect of amalgamating the balance for future transactions negating the need to give 30-days' notice. They thought when the notices are set up they are set up for a future notice to be issued on a future month so that if you're applying a notice on a payment in January to leave your account on 30 June, the notice beings 30-days prior to this date and not before.

And finally, as the £2.27 refund wasn't something Aldermore were required to pay there was no requirement for it to pay this amount into Ms H's new ISA.

Ms H disagreed, she believes that the interest payment dates remain unclear and has asked for an ombudsman's decision on the matter.

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 hope that Ms H won't take it as a discourtesy that I've condensed her complaint in the way that I have. Ms H has already received an answer and a final decision regarding a number of the complaint points she raised. So this decision and what I've concentrated on is what I consider to be the outstanding complaint points that Ms H hasn't yet had a final decision on as outlined in the background above.

It might help if I explain here my role is to look at the problems Ms H has experienced and see if Aldermore has done anything wrong or treated her unfairly. If it has, I would seek – if possible - to put Ms H 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.

Ms H's main remaining complaint points are that Aldermore's terms and conditions were unclear regarding when interest is paid and that it incorrectly deducted penalty interest when she closed her account with it.

I'm in agreement with our investigator here and I don't agree. The relevant part of the terms and conditions regarding when interest is applied annually is outlined in the background above. I think it is clear from this that interest will be applied on the same *day* of the month – not *date* - that funds were originally credited to the account – in Ms H's case that was on the 3rd of the month.

So I don't think Aldermore was wrong to change the interest payment date to 3 December 2023 following Ms H changing from monthly to annual payments on 15 December 2022 as this is the same day Ms H originally credited funds to the account – being the 3rd - and is 12 months later and what I consider would be the date the annual payment of interest is due.

Furthermore, I'm also in agreement that Aldermore were not in the wrong in deducting an early withdrawal penalty calculated on Ms H's closure balance. Ms H believes that as she had a standing order set up for £200 with 30-day notice periods that this in effect meant all the future payments were amalgamated covering her entire balance negating the need to give 30-days' notice.

But there is nothing in the terms and conditions which say that Aldermore would do this and nor would I expect it to. I think most would reasonably understand that the 30-day notice period gives notice of the intention to withdrawal a fixed amount as requested in 30 days time from the balance held at the time notice is given.

If Aldermore was willing to amalgamate the balance for future transactions it would be a rather complicated equation. It would have to work out which funds were subject to notice and I think would likely make the 30-day notice period pointless. So I don't agree Aldermore did anything wrong or treated Ms H unfairly when it calculated and deducted the early withdrawal fee the way it did.

In any case I don't think this matters as Aldermore as a gesture of goodwill have refunded this fee of £2.27 and so Ms H hasn't suffered a financial loss here. And as Aldermore wasn't under any obligation by law or otherwise to make this payment, I can't say it did anything wrong in not paying this directly to Ms H's new ISA.

So it follows I don't think Aldermore has treated Ms H unfairly or done anything wrong and I don't uphold these complaint points.

My final decision

For the reasons I've explained I've decided not to uphold Ms H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 14 February 2025.

Caroline Davies
Ombudsman