

The complaint

Mrs L has complained that National Savings & Investments (“NS&I”) failed to inform her that, when she reinvested the proceeds of a Guaranteed Investment Bond (GIB) into another GIB, she’d receive a different amount of interest.

What happened

Mrs L held a GIB with NS&I which was due to mature on 14 September 2024. NS&I wrote to Mrs L on 15 August 2024 explaining that Mrs L’s GIB was due to mature and explained that, if she wanted to reinvest the proceeds of her Bond into a 1-year GIB, it would guarantee her an interest rate of 5.03%. NS&I did say that if Mrs L chose to reinvest her money into a different product, then the prevailing interest at the time that it is reinvested would apply.

After this, Mrs L chose to reinvest her money into a 2-year GIB. After NS&I had received Mrs L’s instruction and acted upon it, Mrs L noticed that the interest rate applied to the Bond was 4.17%, which was lower than what Mrs L expected. As a result, Mrs L exercised her cooling off rights and cancelled the 2-year GIB.

Unhappy with this Mrs L complained to NS&I, but NS&I didn’t uphold Mrs L’s complaint.

After Mrs L referred her complaint to this service, one of our investigators assessed the complaint, but they didn’t uphold the complaint. As Mrs L didn’t accept the investigator’s assessment, the complaint was referred for an ombudsman’s 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.

Having considered everything, I don’t uphold this complaint. I will explain why.

From what I understand, Mrs L’s complaint is essentially that when she reinvested her money into a 2-year GIB, she received a lower interest rate on her GIB than she was expecting, and she says that NS&I had failed to explain that to her.

Looking at the letter that NS&I sent to Mrs L (electronically, as she had selected paperless communication) on 15 August 2024 it said:

“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. See the enclosed summary box for the terms and rates available.

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.”

So, I'm satisfied that it was made clear to Mrs L - before she had to decide what to do with her money - that the interest rate for a 2-year GIB that was available at the time (which was 4.50% Gross) could change by the maturity date.

When Mrs L reinvested the proceeds of her matured Bond into a 2-year GIB, Mrs L says that NS&I failed to inform her of the interest rate that she would receive. In the circumstances, I agree with Mrs L that NS&I should've written to her to confirm that the new 2-year GIB had been invested and confirmed what interest rate she would receive, and this should have happened shortly after the investment started. And NS&I haven't provided this service with evidence to show it did that. All it has sent is a copy of the closing statement that was sent to Mrs L once she'd cancelled the 2-year GIB. So I have considered whether this meant that NS&I needs to do something to put things right for Mrs L. But having considered the circumstances, I don't think that it does.

I say this because Mrs L saw shortly after it had been invested, that the interest rate applied on her 2-year GIB was lower than what had been available when NS&I had written to her in August 2024. So even if NS&I had written to Mrs L shortly after the investment started, to confirm that her 2-Year GIB had been invested at a rate of 4.17% gross, she would've been in the same position as she ended up in. Essentially, she would have found out during the cooling off period what interest rate she was receiving. The only difference was that what actually happened is that she found out her interest rate herself, rather than being notified by NS&I. Under the terms of the GIB, Mrs L had 30 days (and not 14 days as Mrs L had thought) in which to change her mind. The whole point of providing cooling off rights is to ensure that consumers have an opportunity to change their mind if there is anything about the financial product that they are unhappy with - as was the case for Mrs L. And Mrs L did just that. She exercised her cooling off rights and was issued with the £30,000 that had been invested into the 2-year GIB and had also been paid interest for the short time that the money had been invested.

So in summary, I don't think things went quite as they should've, and I think that NS&I should've written to Mrs L to confirm the interest rate of her GIB once it had been invested. But even if it had done that, I think that Mrs L would've been in exactly the same position as she was. She would've needed to have exercised her cooling off rights if she didn't want to continue with the bond, as she did, and the money returned to her.

Therefore, whilst I agree that things should've gone differently, I don't think that Mrs L suffered a detriment as a result of that.

My final decision

Because of the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 14 March 2025.

Thomas White
Ombudsman