

## The complaint

Mrs F complains Santander UK Plc (“Santander”) made mistakes and failed to signpost her correctly when wanted to upgrade her existing ISA to one offering a better rate.

## What happened

Following the maturity of a fixed rate ISA on 2 October 2024 Mrs F transferred some of the matured funds in it to a different provider. She wanted the balance to upgrade to an ISA product with Santander offering a better rate of interest. She told us she tried to use the upgrade function in online banking to move the funds to the new product but each time the system crashed or hung up. She told us she called Santander several times over several days but could never get through to speak to anyone. She told us as the matured ISA was now paying a very low rate and there was a way to transfer on the Santander website, she transferred it. When selecting where the funds were to come from, she told us she selected the previous years matured ISA. She said at no point did she receive a message or warning that she was transferring the funds into a 2024/25 current tax year ISA and inadvertently and unknowingly using some of this year’s allowance.

When she viewed the new account online, she could see it had been treated as a new ISA for 2024/25 and phoned Santander who told her the only way to upgrade would have been to do so over the phone and there was nothing it could now do about this. She stressed the funds had moved from ISA to ISA and at no point received a warning the ISA year was going to change. She complained to Santander who didn’t uphold the complaint.

In their Final Response Letter Santander told Mrs F it hadn’t made a mistake. Although it understood she wasn’t happy that this meant she’d used part of her 2024/25 ISA allowance, it couldn’t rectify this. That was because HMRC rules only allowed Santander to reset an allowance when the bank had made an error. In this case Santander didn’t think it had as its records showed Mrs F opened the new ISA online and funded it herself. The funds had been removed from an existing ISA and paid into the new one. Santander said it had a different process for transferring funds and retaining their tax free status, but as this hadn’t been followed here, the transfer was correctly classified as a new transaction.

Our investigator didn’t uphold the complaint. He thought Santander had acted fairly and in line with the policies and procedures for Mrs F’s ISA account, especially as it was Mrs F who had actioned the payment. He couldn’t agree Santander had failed to signpost Mrs F before the payment was made as it had sent evidence of a pop up message she’d receive before transferring money from her previous ISA into the new one. And he didn’t think Santander’s approach to the complaint unfair or unaccommodating given HMRC’s rule on resetting an allowance only in the case of a bank error.

Mrs F didn’t agree with the decision. She told us, as she didn’t record every transaction she made on a computer, she wasn’t clear what evidence she should submit. She reiterated she hadn’t received any warning message or pop up but it was impossible for her to prove this. She felt the investigator had accepted the bank’s view and she was seen as being in the wrong. She said the assumption she wished to transfer funds from a previous years ISA to an ISA for this year is faulty and asked why anyone would want to do that. In a later call with

our investigator, she reiterated these points and asked for an ombudsman to make 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.

Everyone agrees that on 4 October 2024 Mrs F opened a new ISA online and funded that from an existing ISA that had matured a couple of days before. Opening that ISA meant that the funds paid in - from the old matured ISA - registered as a contribution towards her ISA allowance for the current tax year of 2024/25. I think it's clear that wasn't Mrs F's intention here. What she wanted to do was upgrade the matured funds already in the ISA wrapper from previous years allowances, into another cash ISA product that would pay her a better rate of interest.

What is in dispute is whether the opening of the new ISA (and consequent use of the 2024/25 allowance) is a result of an administrative error in Santander's systems and Mrs F not being correctly signposted or warned before actioning the transfer. Or whether it's a mistake on her part.

I have sympathy for the situation Mrs F finds herself in. I appreciate this wasn't the outcome she was striving for. And I take her point that no one would knowingly use funds from a previous years ISA allowance to open a new account and eat into the current years allowance. But I'm afraid I don't agree with her argument that logic should support that this outcome was due a Santander error. It's also possible it was a genuine mistake on the part of the account holder. And, on the evidence before me, I'm satisfied what's happened isn't due to any error on the part of Santander. I'll explain why.

Firstly, Mrs F carried out the transaction herself. She's told us she could see the upgrade option online and tried to use it multiple times over a few days but it wouldn't work. I appreciate that must have been frustrating - as would have been her inability to speak to someone at Santander when she called to discuss this. But, from what Mrs F told us, she decided to use the transfer route without checking first with Santander. Santander told us they had a very different process for transferring funds and retaining their tax free status. And I think the very fact that there was an upgrade route - in addition to a transfer - ought to have put Mrs F on alert.

Santander also told us that on a transfer an alert pops up prior to the customers transaction going through which states *"Making a withdrawal means you'll lose the tax-free status on the funds you withdraw, you should only hit 'continue' if you want to take funds out of your ISA. If you'd rather transfer the fund to another ISA provider, you'll need to contact them to arrange the transfer. Alternatively, you can transfer funds between Santander cash ISAs, please visit our cash ISA page to learn more"*

Mrs F is very clear she wasn't shown this. But I'm afraid, in the absence of any evidence to the contrary, such as a problem with Santander system or some screen shots of Mrs F's journey when making the transfer, I'm persuaded this standard pop up would've appeared. And, like our investigator I think, had Mrs F followed the advice in the message the situation could've been prevented.

Santander is bound by HMRC's rules and can't reset the ISA allowance here. So, for the reasons I've explained, I'm not going to uphold this complaint as I don't think Santander have done anything wrong here.

**My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 28 February 2025.

Annabel O'Sullivan  
**Ombudsman**