DRN-5289462

The complaint

Mr A and Mr V complain that HSBC UK Bank Plc delayed transferring their Child Trust Fund (CTF) to a Junior Individual Savings Account (JISA) with another provider.

What happened

Mr A and Mr V submitted a transfer request to HSBC on 25 March 2024 through their JISA provider. After receiving no updates, they followed up on 10 April 2024. However, their new provider informed them that it had not received any response from HSBC regarding the transfer.

Mr A and Mr V contacted HSBC directly to confirm receipt of the transfer request. HSBC advised that the transfer would be processed the following week. By 23 April 2024, however, the JISA provider still had not received a response from HSBC, prompting another follow-up. The funds were eventually transferred to the JISA provider on 30 April 2024, but the provider had to wait for HSBC to send the history form before the new JISA account could be credited.

Due to this delay, Mr A and Mr V were unable to invest further into the JISA until 15 May 2024. Dissatisfied with the handling of the transfer, they raised a complaint with HSBC.

HSBC reviewed the complaint and upheld it. While HSBC stated that the transfer had been completed within the 30-day timeline for such transactions, it acknowledged that the process could have been handled more promptly. HSBC confirmed the transfer request was received on 28 March 2024 and completed by 26 April 2024. However, it admitted that the sale of Mr A and Mr V's CTF should have been executed by 8 April 2024. To address the delay, HSBC offered the following compensation:

- Backdating the CTF sale to 8 April 2024 and paying £286.77 to account for the difference in the share price.
- Paying 8% simple interest from the date the payment should have been made (15 April 2024) to the date it was actually made (26 April 2024), less a 20% basic rate income tax deduction.
- Paying £150 to Mr A and Mr V for the trouble and upset caused by the delay.

Despite this, Mr A and Mr V remained dissatisfied and referred their complaint to our service. They argued that the compensation offered was insufficient for the inconvenience caused. Additionally, they disagreed with HSBC's choice of 8 April 2024 as the date for calculating the share price difference, suggesting that the highest share price during the delay period should have been used instead.

Our investigator reviewed the complaint and concluded that the compensation offered by HSBC was fair. However, Mr A and Mr V disagreed with this assessment. They alleged that HSBC had handled the transfer unfairly, failed to provide sufficient updates during the process, and caused additional financial loss. Specifically, they stated that the delay prevented them from investing further funds into the JISA, as their provider had explained that a child could only hold either a JISA or a CTF at any given time.

As a result, Mr A and Mr V believe they have lost out on interest during this period and feel that £1,000 in compensation would be a more appropriate remedy for the distress and inconvenience caused.

As no agreement could be reached, the complaint was referred to me for a final decision.

I issued a provisional decision on 15 January 2025, in which I explained why I was minded to uphold the complaint. I have included an extract of my provisional decision below, and it forms a part of this complaint.

> ***"What I've provisionally 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.*
>
> *Firstly, I'm aware that I've only summarised Mr A and Mr V's complaint points. And I'm not going to respond to every single point made by them. No discourtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.*
>
> *I've thought about the overall circumstances surrounding the transfer of Mr A and Mr V's Child Trust Fund to a Junior Individual Savings Account, I have considered the relevant guidelines and HSBC's terms and conditions to assess the reasonableness of the actions taken.*
>
> *According to government guidelines, CTF transfers should be completed within a reasonable business period, not exceeding 30 calendar days. However, this does not imply that taking the full 30 days is inherently reasonable; the specific circumstances and any evidence of unnecessary delay must be considered.*
>
> *HSBC received the transfer request on 28 March 2024, as evidenced by the date recorded on the transfer form from the new JISA provider. HSBC's terms and conditions stipulate that share sales related to CTF transfers should be executed within four business days of receiving both the written instruction and confirmation from the new provider. In this case, HSBC placed the sale instructions on 5 April 2024, with execution on 8 April 2024. Given that the unit rates were lower on 5 April 2024, backdating the sale to this date for recalculation purposes appears fair and reasonable.*
>
> *Regarding concerns about a £120 contribution, statements confirm that these funds were invested into the CTF and subsequently sold when the fund was cashed in. HSBC's method for calculating the cash-in value of the CTF, while slightly different from the investigator's comments, does not appear unreasonable.*
>
> *HSBC compensated Mr A and Mr V for the loss of interest on the CTF funds between 15 April 2024 and 26 April 2024 — the period from when the transfer should have occurred to when it was completed. This compensation seems appropriate under the circumstances.*

However, it's important to note that Mr A and Mr V were unable to contribute additional funds to their new JISA until the transaction history was provided by HSBC. HSBC acknowledged an 11-day delay in the transfer but did not compensate for the resulting inability to utilise their annual allowance during this period. While ISA regulations permit up to 30 days for transfers, they also require that transfers be completed within a reasonable business period.

Given that Mr A and Mr V intended to contribute further funds immediately upon transfer completion, the 11-day delay directly impacted their ability to add further funds to their JISA. Therefore, it would be reasonable for HSBC to compensate for the 11-day loss of interest on £8,800 — the amount Mr A and Mr V intended to invest in the new JISA. This compensation should be added to the JISA as interest to avoid affecting their annual allowance. If this is not feasible, HSBC should provide an additional £25 to cover the lost interest and any future interest that would have accrued without the delay.

Regarding the deduction of tax from the backdated interest payment, it is standard practice for businesses to withhold tax on interest compensation awards when consumers have been deprived of their funds. While Mr A and Mr V believe no tax is due in their case, they can obtain a certificate and claim a refund if eligible. HSBC has advised them to contact their local tax office for this purpose, so I don't think HSBC needs to do anything further here.

HSBC has already taken the following actions:

- *Backdated the CTF sale to 8 April 2024 and paid £286.77 being the difference in the sale price.*
- *Paid 8% simple interest from the date the payment should have been made (15 April 2024) to the date the payment was made (26 April 2024) – less any tax deducted.*
- *Paid Mr A and Mr V £150 for the inconvenience caused.*

I appreciate Mr A and Mr V will be disappointed with my decision and were looking for significantly more compensation. But it is inherent with any financial transactions there will sometimes be a degree of inconvenience. Our role is to see if this has been caused unnecessarily by a business. In this case there have been unnecessary delays caused by HSBC. HSBC has offered Mr A and Mr V £150 compensation for the trouble and upset it caused, and having considered what took place I think this is fair and consistent with other awards made in similar circumstances."

Responses to my provisional decision

Mr A and Mr V responded to my provisional decision and they didn't agree with the level of compensation offered.

They said the ombudsman should consider the time they spent raising a complaint with HSBC and our service. They felt the additional compensation offered was not adequate and failed to cover the costs incurred and time spent on the complaint. So they asked for an additional £500 in compensation.

HSBC responded and said it agreed with the recommendations in the provisional 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 again, I've decided to uphold the complaint for the same reasons I set out in my provisional decision. I appreciate this will be disappointing for Mr A and Mr V and while I understand the time they spent on raising the complaint with HSBC and then bringing it to this service. I've already set out in my provisional decision that it's inherent in any financial transactions that there will sometimes be a level of inconvenience caused if things don't go as they should.

HSBC have agreed to pay Mr A and Mr V compensation of £150 for the distress and inconvenience caused in addition to the financial loss they suffered as a result of the delay. And so, I am satisfied the level of compensation paid by HSBC for the inconvenience caused here is reasonable.

My final decision

For the reasons mentioned above, I uphold Mr A and Mr V's complaint about HSBC UK Bank Plc.

HSBC UK Bank Plc should pay Mr A and Mr V the lost interest on their £8,800 at a rate of 4.95% for 11 days due to the delay in concluding the transfer in a reasonable time. If it is unable to transfer this amount into the JISA as interest, it should pay Mr A and Mr V £25 in further compensation.

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

Jag Dhuphar
Ombudsman