

The complaint

Mr O complains Al Rayan Bank PLC made a mishandled a partial ISA transfer and hasn't compensated him fairly for this.

What happened

Mr O has an ISA with Al Rayan Bank. He requested a partial transfer of his ISA to another provider – in order to earn a better rate – and says the transfer went wrong. He asked for just over £40,000 to be transferred. Mr O ultimately complained to Al Rayan Bank saying that as a result of mistakes it had made there was a delay in his ISA being transferred.

Al Rayan Bank looked into Mr O's complaint and accepted that there had been a 13-day delay as a result of mistakes it had made. It offered Mr O the equivalent of 13 days' interest at the higher rate he got as a result of transferring his ISA. In addition, Al Rayan Bank ultimately offered Mr O £100 in compensation for the distress and inconvenience he'd been caused. Mr O was unhappy with the compensation Al Rayan had offered – saying he deserved £750 – and with the interest offered saying that it didn't take into account the effect of compounding interest. He complained to our service.

One of our investigators looked into Mr O's complaint and said that Al Rayan Bank should pay Mr O an additional £125 in compensation on top of the £50 it had already paid. Al Rayan Bank accepted our investigator's recommendation and said that it had calculated 13-days lost interest to be £78.23. Mr O was unhappy with our investigator's recommendation saying that the compensation awarded was inadequate and that Al Rayan Bank should be paying compounded interest and do so until the date of settlement. He was also unhappy that Al Rayan Bank hadn't shown how it had calculated the lost interest. He asked his complaint to be referred to an ombudsman for a decision. His complaint was, as a result, passed to me.

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 this case after some initial confusion Al Rayan Bank accepted that the delay to Mr O's ISA transfer was a result of mistakes it had made. Al Rayan Bank accepted that this meant there was a short period of time when Mr O didn't receive the better rate on his funds that he did once the transfer was complete. Once he moved his funds he was getting 5.2% interest instead of 2.3% interest given the way the markets had moved. I can see that Al Rayan Bank offered to pay 13 days' worth of interest on the balance Mr O ultimately transferred. That was more than fair given that transfers aren't always instant. I can also see that Al Rayan Bank calculated what the equivalent daily rate of interest was – by dividing 5.2% by the number of days in a year – and then multiplied this by 13. I agree that the calculation is slightly simplistic – although parts work out in Mr O's favour – but I don't agree that it's an unfair offer. I'm also satisfied that from 12 June 2024 onwards Mr O will have been receiving 5.2% on the balance transferred – in other words, 5.2% on just over £40,000. In his complaint form Mr O acknowledges that the amount of interest he would have lost due to compounding not being taken into account won't be significant. I agree. Overall, given

everything I've just said, I don't think Al Rayan Bank's offer is unfair.

Putting things right

The issue of compensation for distress and inconvenience is, as Mr O rightly points out, separate to the issue of interest. And whilst I appreciate that Mr O had to spend time working out what had happened to his funds – and given the amounts involved this would have been a concern – I'm satisfied that the issue was resolved quickly and that Al Rayan Bank confirmed his funds were safe. In the circumstances, I don't think the compensation our investigator has recommended is unfair. So, that's the award I'm going to make.

My final decision

My final decision is that I'm upholding this complaint in part and require Al Rayan Bank PLC to pay Mr O an additional £125 in compensation on top of the £50 it has already paid. In addition, I require Al Rayan Bank PLC to pay the 13 days' worth of interest it has offered to pay which it has calculated is equivalent to £78.23.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 16 April 2025.

Nicolas Atkinson
Ombudsman