

## The complaint

Mr H complains, because of poor service by Santander UK Plc, he decided to self-transfer part of an Individual Savings Account (ISA) held with Santander to a third party, meaning he lost the tax-free wrapper for this part of his ISA.

## What happened

Mr H explains he had a fixed rate ISA with Santander which was due to mature in early November 2024. He wanted to transfer his ISA to a third party provider to get a better rate of interest. Mr H explained he completed the forms for the ISA transfer and sent them to the third party. The transfer didn't go through, so Mr H contacted both the new provider and Santander.

Mr H explained the new provider said Santander had rejected the transfer due to insufficient funds, whereas Santander denied having received a request for the funds from the new provider.

Mr H said he could see his new ISA online and decided to transfer the funds. He accepts he made a mistake by transferring the funds himself and not waiting for the transfer to be completed by the ISA manager. He explained he thought at the time it would have been okay as he had submitted the paperwork.

Mr H explained he had a limit of £25,000 per day allowed for transfers, and initially intended to transfer the entire balance of this ISA over a few days. He said he realised something was wrong when his new ISA only showed a credit of £20,000 from the first £25,000 he had transferred. Mr H said he then realised the new provider was treating his transfer as a new ISA, not an ISA transfer. Mr H explained he had already used his £20,000 allowance for this tax year with another ISA.

Mr H has explained he has now lost the tax-free status or 'wrapper' on this £25,000 and wants this restored. He said he didn't intend to lose this when he made the transfer. Mr H said Santander had agreed he received poor customer service, but it hadn't done anything to assist him to get back the tax-free wrapper on this £25,000.

Santander wrote a final response to Mr H in late November 2024. It explained its records show Mr H had indeed tried to contact it via live chat on 6 November about the rejection of the ISA transfer. It confirmed Mr H tried again to contact it on 8 November. Santander said, however, the first transfer request it received from the third party was on 11 November. Santander explained it rejected this request as Mr H had since taken out a new ISA with it for the remaining funds, which wasn't due to mature until December 2025.

Santander said it didn't have any '*auditable evidence*' of a transfer-out request before 11 November maintaining Mr H self-transferred the £25,000 on 8 November.

Mr H has provided evidence showing the third party said he made an error on the ISA transfer forms he sent to it. The third party explained he had provided both the roll number and the sort code on the form which it says is why Santander did not recognise the request replying '*account not found*' to the third party banks ISA transfer request. Mr H has said he wasn't sure what some of the terms meant on the form.

Santander said it was acting on HMRC guidance, which says cash withdrawn from an ISA in error by an investor cannot normally be reinstated unless the customer was acting on incorrect advice.

Santander accepted its customer service was poor during this time, explaining live chat can take up to an hour to respond, but didn't think it had mis-advised Mr H so couldn't reinstate the tax-free status of the £25,000 he withdrew. Santander credited Mr H's current account with £150 as an apology for the poor customer service.

Our investigator thought Santander hadn't done anything wrong. They explained they empathised with Mr H's position, but as there was no dispute Mr H had decided to undertake the transfer without receiving advice to do so, they couldn't find Santander had done anything wrong and couldn't ask Santander to reinstate the tax-free status of the £25,000. They thought £150 was fair for the customer service issues Mr H had suffered.

Mr H rejected our investigator's recommendation, explaining it is extremely difficult to contact Santander, describing the chat bot as '*virtually useless*'. Mr H reiterated he made the transfer late one night after trying for a prolonged period to transfer the ISA and realised soon afterwards he had made a mistake.

As Mr H has rejected our investigator's recommendation, his complaint has been passed to me to make a 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.

I was sorry to hear about the circumstances which led to this complaint. I can understand and sympathise with the frustration Mr H has expressed in his correspondence with our service.

I appreciate how strongly Mr H feels about his complaint. Although I may not mention every point raised, I have considered everything but limited my findings to the areas which impact the outcome of the case. No discourtesy is intended by this, it just reflects the informal nature of our service.

The issue for me to determine is whether Santander is correct in its assertion regarding the rules, and also whether the application of these rules has been fair and reasonable in these specific circumstances.

All business which offer ISAs are governed by ISA transfer rules set by the government. ISAs are different to other financial products, they have a tax-exempt status and as such are overseen and regulated by His Majesties Revenue and Customs (HMRC). HMRC has published several guides about how ISA managers should operate. These guides explain how and if ISAs can be put back into tax-free status after being withdrawn. This information is available on [www.gov.uk](http://www.gov.uk) under government ISA Guidance for ISA manager, the section '*how to close, void or repair an ISA*' which states the following:

*'ISA investors must transfer their ISAs through you [ISA Manager]. Investors cannot transfer an ISA by closing it and opening a new ISA with the new ISA manager (commonly known as 'self-transfer'). They cannot do this even if they are moving from one ISA product to another with the same manager.'*

The rules here are relatively clear. ISA customers are not permitted to undertake transfers between ISAs themselves, it must be done by a registered ISA manager who has responsibility to record, account for and submit annual reports regarding the ISAs they have arranged.

Santander has explained it can correct ISA tax-free status, but only under certain criteria. Under '*How to manage an ISA investment fund*', the relevant guidance is under '*cash*

*withdrawn from an ISA in error*'. This guidance begins by stating '*Cash withdrawn from an ISA in error by the investor ... cannot normally be reinstated*'. However, the guidance explains how any application to place funds back in a tax-free status can be made to HMRC. It specifically states the application should contain '*evidence of the incorrect advice given (copies of relevant correspondence, a transcript of a telephone call in which the incorrect advice was given, or where the advice was given in a face-to-face meeting, a statement signed by the member of staff who gave the incorrect advice)*'.

I am satisfied this is a very explicit definition of when HMRC will consider replacing tax-free status. It requires detailed evidence of a specific error by the *business* before HMRC will even consider changing the status of withdrawn funds. It doesn't consider cases where the error has been made by the customer.

I recognise Mr H has been honest about making what I appreciate was a genuine mistake here and he accepts he realised very quickly he should not have undertaken the transfer. However, I hope he appreciates from the detail I have included above, I cannot see a path which allows Santander to make this application to HMRC.

Whilst I appreciate Mr H's comments and concerns about poor customer service, which Santander has accepted, I do not consider, on balance, Santander was proactive in either instructing or otherwise mis-advising Mr H to make the transfer. It therefore follows I cannot reasonably instruct or ask Santander, in these circumstances, to ask for these funds to be placed back in a tax-free status. For these reasons I cannot find Santander did anything wrong and do not uphold this complaint.

I have considered the poor service, and have examined the transcript of the chat Mr H had with Santander. Having done so, I am satisfied the compensation Santander has already paid of £150 is inline with what our service would expect in the circumstances.

Once again, I do empathise with Mr H's situation, and trust I have provided some further clarity around this matter for him.

### **My final decision**

For the reasons I have given, my final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 March 2025.

Gareth Jones  
**Ombudsman**