

The complaint

Mr H is unhappy that Trading 212 UK Limited ("Trading 212") paid compensation into his ISA despite the fact he'd asked it to pay it directly into his bank account. Mr H says as a result the maximum annual allowance was breached.

What happened

Mr H was due £75 compensation from Trading 212 and requested it pay this into his bank account because he'd already utilised his maximum allowance he could pay into his ISA for the tax year.

Despite this Trading 212 credited Mr H's compensation to Mr H's ISA before processing a further transfer of this to his bank account.

Mr H raised a complaint about this with Trading 212. To resolve the matter Mr H requested Trading 212 re-add £75 compensation and the calculated amount of backdated interest into his account without it counting towards his current year ISA allowance.

Trading 212 says its payments team transferred the compensation due to Mr H's ISA for audit purposes. Trading 212 explained that it now offers flexible ISA's and so adding the funds to the ISA before sending them out again didn't affect Mr H's allowance or a means for any tax implications and so didn't agree any further compensation was due.

Mr H was dissatisfied with this and referred his complaint to this service. He would like Trading 212 to pay the equivalent of lost tax/savings plus £100 compensation.

Trading 212 confirmed that adding funds before sending them out did not affect Mr H's allowance or caused any negative tax implications but if this isn't the case it will review the situation and offer a solution.

One of our investigators looked into Mr H's concerns but didn't think Trading 212 had treated Mr H unfairly. They explained that it is not the role of this service to ask Trading 212 to change its processes and as Trading 212 adding the funds to Mr H's ISA before sending them out doesn't affect his allowance or have any adverse tax implications they didn't think Trading 212 had treated Mr H unfairly and so there was nothing more for Trading 212 to do.

Mr H remained dissatisfied and has asked 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.

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Firstly, Mr H has raised complaint points regarding the transfer of his ISA and communications around this. But this is not something I will be considering in this decision as it is a separate complaint from the event complained about above and doesn't form part of this decision.

And having considered what Mr H is complaining about here I'm in agreement with our investigator and I don't think there is anything much more of use I can add.

It might be helpful for me to say here that as we are not the regulator, I cannot make Trading 212 change its systems or auditing processes – such as how or where it pays any compensation due. This is a commercial decision and not something for me to get involved with.

And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focused on whether we feel a fair and reasonable outcome has occurred – from an impartial perspective - after taking all the factors and circumstances of a complaint into consideration.

In this case Mr H is unhappy that Trading 212 failed to follow his instruction to pay compensation directly into his bank account rather than his ISA where he'd already reached his maximum allowance for the tax year.

But having looked at the communications regarding this - although I accept Mr H made it clear where he'd like the compensation to be paid - I can't see he was given a definitive answer that this is where it would be paid.

And as the funds ultimately ended up where he wanted them to be – and I haven't seen any evidence Mr H has suffered any avoidable negative tax consequences as a result of Trading 212's actions and Trading 212 is willing to look into this further if this isn't the case - I can't say that Trading 212 have treated him unfairly.

While I appreciate how strongly Mr H feels about this, I don't think the process Trading 212 has followed is unreasonable in that my understanding is it first credits funds to an ISA in order to use as much of it in the tax-free wrapper before crediting anything above the maximum allowance to the customer's current account. This ensures tax free benefits have been utilised putting the customer in the most favourable position. And if the customer is unhappy with this as Trading 212 offer flexible ISA accounts, they are able to move the funds out without suffering any adverse tax complications.

And in Mr H's case although the process Trading 212 followed with paying his compensation isn't what he was expecting – the ultimate destination he wanted the funds credited was.

So it follows that I don't uphold this complaint as I don't think Trading 212 has treated Mr H unfairly.

My final decision

For the reasons I've explained, I've decided not to uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 May 2025.

Caroline Davies
Ombudsman

