

The complaint

Mr P is unhappy with Paragon Bank Plc. Mr P transferred out of his Cash ISA and into a savings account. He said this wasn't his intention and he should have been warned. Mr P said there wasn't any clear warning about what he was doing, and he wants Paragon to reinstate his ISA in full.

What happened

Mr P said he had worked for years to build up his ISA so doesn't understand why anyone would think he would give up that ISA status.

He said Paragon didn't make it clear when he transferred out of his Cash ISA that he would be losing ISA status. He said otherwise why would he have applied to transfer the account out to another bank "P" and expect it to place the funds into a new Cash ISA. Mr P said he only became aware his money hadn't been in an ISA when P responded to say it couldn't accept the funds into a new ISA as the money wasn't coming from an ISA product.

Mr P complained to Paragon at this point.

Paragon apologised. But it said Mr P had taken the action online and he had chosen to move his funds from an existing ISA into a non ISA product. It said his funds had now lost tax free status. Paragon said Mr P had applied for a Double Access Issue 5 savings account. It said he authorised the transfer of his funds from his existing Double Access Cash ISA Issue 1. Paragon said a warning message would have appeared on Mr P's screen to advise him any funds withdrawn from an ISA into a non-ISA product would lose tax free status. It said the application was then submitted successfully and when the new account opened the balance was immediately transferred across.

Paragon said customers are aware of the type of account they are opening. It said *"This is due to the transparency we deliver of separating our Savings Accounts and ISAs into different sections on our website as well as differentiating our accounts by incorporating the word ISA into our product names. In addition, the Product Terms and Conditions and our General Terms and Conditions are presented to you whilst completing your application and it is imperative that these are agreed to prior to our system allowing you to continue with your application therefore, I am unable to agree that you were not aware that the account you were applying for was not an ISA."*

Because of this when P made an ISA transfer request to Paragon, it declined it. It said Mr P made contact through secure message and then asked Paragon to move the funds into its 40 Day Notice ISA and reinstate the ISA in full. Paragon said as it had been 10 months since Mr P had transferred out of the ISA it would not be able to reverse it or reinstate ISA status.

Paragon concluded it had not made any mistakes. It said it wasn't informed of any issues when Mr P transferred out of the ISA in a previous tax year and so it now couldn't do anything further to resolve the issue.

Unhappy with this Mr P brought his complaint to this service.

Our investigator didn't uphold the complaint. She said the accounts had similar names so she could understand why Mr P assumed this was another ISA account. But she noted there was nothing in the account title or product literature to suggest the account was an ISA. She checked warning messages and noted Mr P would have got a warning in red stating "*any money transferred to a non-ISA product will lose its tax-free status.*" Our investigator felt Paragon made enough of a distinction between its different accounts with ISA's and savings accounts under different heading tabs. She didn't think Paragon had made any mistakes.

Mr P didn't accept this and asked for his complaint to be passed to an ombudsman for 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.

I think it's fair to suggest the similarity in the account names may have caused some confusion here. And Mr P said he didn't get any red warnings, or he didn't recall getting any. He said the line referred to as a warning by our investigator was actually a sentence he had used in emails/secure messages to Paragon – not the other way around. Mr P also said he would call it a standard withdrawal message and he said importantly he wouldn't have considered such a message as relevant to him as he believed he was transferring to a new Paragon Cash ISA. I take Mr P's point, but I can't blame Paragon as it's most likely that it did give him the warning.

Mr P said using the line he did, "*You are about to transfer to a non ISA product and will lose you Tax free status*" would have removed any doubt or confusion and if he had seen a message saying this he would have immediately ceased his application to change accounts.

I've looked at the exact wording of the warning from Paragon. It is in red, and it starts with a big red triangle box with an exclamation mark inside the box. In full the warning said, "*Any money withdrawn from an ISA to your nominated bank account or transferred to a non-ISA product will lose its tax-free status.*" I think that's clear and I've no reason to doubt the system would provide such a warning when a customer is taking this type of action.

Paragon made the point that all its ISA products have the word ISA built into the name. It said this is another way it can ensure its customers know what products they are opening. It also said it has a transparent system of separating its savings accounts and ISAs into different sections of its website too. I think that's reasonable.

Paragon said its product terms and conditions and general terms and conditions are also presented during an online application whilst the application is being completed and has to be agreed to before customers can continue. Paragon said this would make Mr P aware of the product he was getting. It said this was clear it was a savings account and not an ISA. I think that's fair.

So, I don't think Paragon did anything wrong when it explained to P that it couldn't transfer the money to its ISA as Mr P's funds were no longer held in an ISA product by Paragon.

Unfortunately, this also meant Mr P's further request for Paragon to move the money into the 40 Day Notice ISA and reinstate the full balance as ISA funds was declined. It said now 10 months later it wouldn't be able to reverse the original transaction away from the ISA.

There's nothing in the evidence that suggests to me Paragon made any mistakes here. It might be worth Paragon considering changing the names between the products a little further just in case that is causing any confusion. But it's clear that all its ISA type products do include the word ISA in the product title. I can't see that there was any suggestion of the savings account being an ISA when it was taken out by Mr P.

I think Paragon acted fairly and reasonably.

My final decision

I don't uphold this complaint.

I make no award against Paragon Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 15 July 2025.

John Quinlan
Ombudsman