

## **The complaint**

Mr M complains that when he made a transfer from his ISA with Barclays Bank UK PLC trading as Tesco Bank, the receiving bank treated it as a new deposit, and as he was deemed to have used up his ISA allowance, part of the funds were transferred to an ordinary savings account.

## **What happened**

In November 2024, Mr M applied to transfer £10,000 from his ISA with Tesco to an ISA with another bank, H. However as he didn't use the correct procedure for transferring ISAs by not lodging the transfer request with the receiving bank, H treated the funds as a new deposit. Although those funds had in fact been accumulated in previous tax years. And as H noted that he had thereby used up his ISA allowance for that tax year, it was only able to deposit £6,900 into the ISA. It transferred the balance of £3,100 into an ordinary savings account. H said it was unable to cancel the transfer.

When Mr M spoke to an adviser at Tesco, they said that there was no mistake on Tesco's part, so they wouldn't be upholding the complaint. They did advise him that he could transfer the money deposited with the other ISA back to Tesco. They said the quickest way to do this would be for him to download and print a transfer form. Mr M asked about the £3,100, but he was told that was a matter he would have to discuss with H.

On referral to the Financial Ombudsman Service our Investigator said she couldn't really say that Tesco had made any error. She explained that Tesco had told Mr M that he could use the transfer form to transfer the monies back to his Tesco ISA.

Mr M said that he wasn't told that he could reverse the transfer by using the transfer form. The matter has been passed to me for an Ombudsman's consideration.

## **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.

It's unfortunate that Mr M transferred the funds in his Tesco ISA to his ISA with H by doing a direct transfer from Tesco. The correct procedure, which is set out in the government's guidance on ISAs, would have been to go to H and ask it to request the transfer. When he was carrying out the transfer from Tesco, a pop up warning appeared which advised that the destination account may not be as tax efficient as the one he was transferring from. I can understand that if he was transferring to another ISA, he might not have thought the warning applied to him. However as it is a generalised warning, I can't say that Tesco failed to alert him to check the position.

So unfortunately, I think it was Mr M's error which meant that he effectively used up his ISA tax allowance for the financial year ending 5 April 2025. But I have considered whether there was anything that could have been done to reverse his error. If that was possible, it would have had to be done from Tesco's side. I note in the phone call he was told that he could

request the monies to be transferred back from H. And I think unfortunately talk of “rectifying” the position really only referred to keeping the balance of the funds in their tax free status with Tesco. The adviser had made it clear that there was no error on Tesco's part and, in answer to a specific question from Mr M, advised that they could not reverse the transaction.

It would have been helpful if Tesco had confirmed this in writing in its final response. However in the phone call I think it was clear that the adviser was talking about the £6,900 which was in the other ISA. And as Mr M then went on to ask about the monies that had been transferred to an ordinary deposit account, and about reversing the transaction, I think he understood the position. HMRC rules make it clear, in this sort of case, that once funds have been removed from an ISA outside of the proper transfer procedure from ISA to ISA then the transaction can't be reversed. That is something that Tesco had no power to do.

So at best Mr M could have asked Tesco to request a transfer of the £6,900 from the other ISA with H. I don't think this would have protected his tax position any better than leaving it with H. And as I understand it the ISA with H had a better interest rate. I don't think it would have been possible to put the balance of £3,100 into an ISA until the beginning of the new tax year.

In respect of Tesco's complaints process, I understand that Mr M objected to the adviser who spoke to him about the transfer also making a decision about his complaint. And that Tesco didn't provide a written response to his complaint, pressurised him into closing his ISA account and didn't provide him with the necessary paperwork to lodge a complaint with this service.

It is really up to Tesco how it runs its complaints process, and I can't find that it did anything wrong here. As I've said it would have been helpful to set out its response explaining its position in writing, but it's not obliged to do so. All it needed to do was provide a response which set out Mr M's right to complain to us. And I'm satisfied that it did. I see that Tesco asked him if he wanted to close his account but I don't think it pressurised him to do so.

Overall, as I can't find that Tesco made any error here, I can't uphold the complaint.

### **My final decision**

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 July 2025.

Ray Lawley  
**Ombudsman**