

## The complaint

Ms V is unhappy with National Savings and Investments (NS&I). Ms V went to another bank, I will refer to as "C", and made arrangements to move her money away from her NS&I ISA to an ISA with C. She's unhappy with how NS&I dealt with and handled her account and the transactions that followed.

## What happened

### What happened

Ms V said she lost her ISA status and interest payments due to the "unorganised approach" of NS&I. She opened an ISA with C and moved some of her money that she already had placed with C in other accounts into this ISA. Her complaint is about what happened when she then tried to transfer £50,000 from her NS&I ISA. Ms V said both accounts were in her name, and she just wanted to transfer between them. But C only kept £20,000 and returned £30,000 back to NS&I. Ms V contacted C who told her they only kept £20,000 as this was her allowance for the ISA tax year. Ms V said she explained to C she wanted this all together, but C didn't offer to help sort it out and said she should talk to NS&I.

Ms V said she spent hours on the phone to NS&I trying to locate her £30,000 that had been returned by C. She said NS&I kept confirming it didn't have her money. It said the £30,000 hadn't been returned. Ms V kept speaking to different people with each call and still got nowhere. She continually explained to C and NS&I that first and foremost she was keen to find her money before she could sort out anything further.

At one point a staff member at NS&I said the transfer might be taking longer than usual and that was why neither bank knew where her money was. Ms V said she told NS&I internet transfers don't take days to go through. Ms V said nobody at NS&I took responsibility. Eventually C gave Ms V a long reference number but when she relayed this to NS&I the adviser just laughed and said its system didn't take such long reference numbers. Ms V found this all very frustrating and upsetting as her money was still missing. She was getting the impression NS&I staff didn't care about her missing £30,000. At no point did anyone at NS&I give Ms V the impression it was going to locate her money for her.

Ms V said if anything after she had made phone calls to NS&I she was left even more confused than before she called. Eventually she got a cheque from NS&I on 11 May for her missing £30,000. Ms V complained and said this had taken around three weeks to get her money back - NS&I said it hadn't done anything wrong.

In my recent provisional decision, I said:

*"In its final response letter NS&I said Ms V completed the £50,000 faster payment withdrawal to an ISA account set up with C. NS&I said as the move was a withdrawal and deposit to C it was only allowed to accept the £20,000 ISA maximum allowance for the current tax year.*

*NS&I accepted Ms V had called on many occasions between 24-28 April asking it to locate her returned funds. It accepted it wasn't able to find the £30,000 until 4 May and then it*

*began the process to repay her. Payment of £30,000 was issued to Ms V on 4 May 2023. Ms V cashed the payment on 6 June 2023.*

*NS&I then noted an ISA transfer request was again received from C on 2 May 2023 for an amount of £46,000. It said this showed the wrong date (24 April 2022) and an incomplete National Insurance number. So, NS&I said it went back to C querying the information.*

*The details show the £30,000 was sent back by C through Faster Payment to NS&I on 21 April 2023. It just took NS&I a long time to recognise it despite constant contact from Ms V. NS&I mentioned above calls from 24 April onwards, but the records show calls being consistently made many days earlier than that and after 28 April too. NS&I only recognised the payment on 4 May 2023. It then moved the money to an internal account and arranged payment to Ms V which was completed and sent 11 May 2023. I can understand why Ms V was so upset by this. And it's clear that C returned the £30,000 very quickly to NS&I, it had her money throughout the time she was contacting it asking it where the money was.*

*But the main point made by both financial institutions is that Ms V completed an incorrect withdrawal from her Direct NS&I ISA to her new ISA with C. The wrong process was set off by Ms V and neither bank had any knowledge of her plans until after the process had been started by her and it had gone wrong.*

*NS&I said, "Our website does explain that to transfer the NS&I ISA the customer will need to contact their new provider and they'll arrange the transfer for you – there's no need to contact us."*

*It also said "Cash withdrawn from an ISA in error by the investor (or the investor's agent) can't normally be reinstated.*

*The exception is that cash withdrawn in error by the investor (or the investor's agent) may be reinstated where both:*

- the investor (or the agent) was attempting to transfer the ISA.*
- the old ISA manager (or the new ISA manager) incorrectly advised the investor (or the agent) to withdraw the funds invested with the old manager and pay them into an ISA with the new manager.*

*If a manager believes that an investor (or the investor's agent) withdrew money from an ISA during an attempted transfer because they gave incorrect advice, they should email [savings.audit@hmrc.gsi.gov.uk](mailto:savings.audit@hmrc.gsi.gov.uk), requesting approval to reinstate the cash removed from the ISA in error...*

*...Cash withdrawn from an ISA in error by the ISA manager may be reinstated (along with any additional compensation to cover lost interest or dividends) without reference to HMRC where the investor (or the investor's agent) gave the manager clear instructions and the manager misinterpreted these instructions and either:*

- withdrew money from (or closed) the investor's ISA in error.*
- withdrew money from (or closed) another investor's ISA in error, for example, John Smith instructs the manager to remove £3,000 from his ISA and the manager instead removes £3,000 from James Smith's ISA and pays it to John Smith.*

*However, managers may not reinstate where the investor's (or the agent's) instructions were unclear or were capable of being misunderstood....*

*NS&I said "ISA manager rules confirm that when the customer makes a withdrawal from the ISA, the money is unable to be taken back into the ISA. So we followed the correct HMRC ISA regulations this has been confirmed by our compliance team.*

*The error is the customer's not NS&I, it was the customer's misunderstanding of the ISA transfer that led to this not NS&I. It is her responsibility to ensure that she understands her account and manages the account effectively."*

*As NS&I didn't advise Ms V to withdraw her funds it said it wasn't responsible for errors here around the transfer out of funds from the NS&I account.*

*In terms of our investigators view of this complaint NS&I said if the only payment to have happened was the £50,000 to C it would understand his point. But unfortunately, in this complaint we have to go back further than that to really get to the bottom of the issues at play here. As Ms V did mention in some of the later calls she was trying to transfer to another ISA. But Ms V had already attempted to send a payment of £65,000 to C from her NS&I ISA earlier in April on two occasions. The payment wasn't accepted by C, and it was returned to NS&I who incorrectly reinstated the money to the previous ISA on 18 April 2023. This was incorrect as NS&I later accepted the ISA wrapper had been removed by the payment being sent to C. It said this meant the later attempts to send the sum of £50,000 included incorrectly reinstated ISA funds.*

*NS&I confirmed the £65,000 was withdrawn by Ms V before speaking to NS&I. It concluded our investigator wasn't taking into account the regulations governing ISAs. It said despite its error of reinstating the money into the old ISA account it couldn't ignore what it should have done. It said as Ms V acted outside the transfer process by making a withdrawal, without any contact with NS&I it didn't advise her incorrectly. This is noted in the NS&I explanation above in italics. NS&I (The ISA manager) wasn't involved and wasn't made aware of the wish to transfer between ISAs until further into the process with the second attempt around the £50,000. But I accept by then it was too late to bring back the ISA wrapper, it had already been removed by the earlier attempted £65,000 transaction.*

*NS&I confirmed it contacted HMRC about this 6 November 2023.*

*But NS&I did on numerous occasions when the £30,000 was back in NS&I's possession tell Ms V that it didn't have this money. Ms V wasn't aware that the money was back with NS&I for several weeks when it was back from 21 April.*

*I think Ms V had acted before getting advice from NS&I. I don't think I can hold NS&I responsible as even before these amounts were moved Ms V had already previously tried to move amounts and these too had an impact on her ISA status. I think the online details are clear and if Ms V had told NS&I what she was trying to do from the start - transferring ISAs between firms rather than talking about moving her money as she did, then it may have been different. At the stage where NS&I understood what Ms V was trying to do, she had hung up the call before the adviser was able to come back on the line to let her know that she needed to talk to C to officially make a formal transfer request to allow her to keep her money inside the ISA wrapper. But as stated above, that couldn't happen anyway as the ISA wrapper had already been removed.*

*NS&I confirmed it is an inbound call centre, advisers don't call back customers. It didn't provide incorrect information to Ms V. It said it was Ms V's responsibility to understand the terms and conditions of her account.*

*NS&I said, “Essentially the customer did withdraw funds before speaking to NS&I on 6 April and 14 April, we shouldn’t have reinstated the £65,000 she withdrew.”*

*In view of the issues, I note NS&I are in correspondence with HMRC. If HMRC respond noting any further requirements on NS&I to reinstate any ISA provision for Ms V I would expect it to do this without any further involvement from this service.*

*Because of the incorrect information given and the delay in identifying the funds and then repaying these NS&I apologised and offered £125. It also offered to pay for a loss of interest from the date Ms V provided C’s reference number (28 April) until 11 May when the payment was sent by NS&I to Ms V. It offered this at the ISA rate of 2.15% and said this equated to £24.73. Giving a total of £149.73. I don’t think that’s fair and reasonable. I think its handling was poor, staff weren’t particularly helpful, one did laugh when Ms V gave them a reference number, she did have to keep calling, and it took weeks for NS&I to notice her money had been returned when it had been back with it right from almost the very start. I think it should round up its offer and pay total compensation of £300 for all the upset and frustration it caused to Ms V.”*

### **Responses to my provisional decision**

NS&I responded and agreed with the findings.

Ms V responded and said the provisional decision hasn’t taken into account her financial loss. Ms V said it will take her five years to overcome her loss due to the tax she is now paying on interest due to her lost tax free ISA status. She feels more should be done to help compensate for her loss.

Ms V accepted she did make a mistake but on the occasions she spoke to NS&I staff none of them suggested any way to do it better. Ms V said NS&I staff had all her details and could have contacted her to put matters right.

Ms V reiterated that she suffered poor customer service that was very unprofessional and nobody at NS&I stopped her from making the mistake.

### **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’ve taken on board Ms V’s points, and she does have my sympathy regarding her tax position. But it was Ms V that made the incorrect withdrawal in the first place without consulting with NS&I. I note in my provisional decision that neither bank had any knowledge of her plans until after she had started the process. NS&I wouldn’t have known in advance what Ms V was doing with her money as she hadn’t told it. NS&I even checked the position with HMRC to make sure that the money was treated appropriately when it found out she had made an error. But I think that’s the key point here. NS&I didn’t make the tax error, and it can’t undo the mistake Ms V made.

For the poor customer service, I think I’ve dealt with that through the compensation award.

As there’s no further evidence my provisional decision becomes my final decision.

### **Putting things right**

Pay £300 compensation for distress and inconvenience caused to Ms V.

**My final decision**

I uphold this complaint.

I require National Savings and Investments to:

- Pay £300 compensation for distress and inconvenience caused to Ms V.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms V to accept or reject my decision before 14 August 2025.

John Quinlan  
**Ombudsman**