

## **The complaint**

Mr K complains Lloyds Bank PLC (trading as IWeb) hasn't treated him fairly by not paying him interest on the cash balance he holds in his stocks and shares ISA.

## **What happened**

Mr K has held a stocks and shares ISA with IWeb for a number of years. He holds both shares and a cash balance within his ISA.

In February 2024, Mr K received an email from IWeb regarding the cash balance he was holding in his account. This notified him he hadn't been receiving any interest on the cash balance in the ISA and provided him with information about his options going forward.

Following this Mr K raised a complaint with IWeb. He was unhappy that he hadn't been receiving interest. He said he was content to continue holding a cash balance in his stocks and shares ISA as he knew the FCA's Consumer Duty would ensure that he was paid a fair rate of interest. But as IWeb is now saying he hasn't received interest and won't in the future, he doesn't think that is fair. He said designing a product which is unfair to consumers, and then informing consumers that the product is unfair does not excuse IWeb from fair treatment under the Consumer Duty.

IWeb responded to the complaint but didn't uphold it. In summary it said:

- IWeb Share Dealing do not pay interest on cash balances held in the accounts.
- Customers can hold cash in the accounts whilst awaiting investment, but they are investment accounts designed to hold stocks and shares.
- The terms of the accounts set out the fact that no interest is paid on cash balances.

Mr K didn't accept the response and referred his complaint to this service for an independent review.

One of our investigators looked into the complaint. He didn't uphold it. In summary he said:

- IWeb has communicated clearly that it doesn't pay interest on cash balances and was proactive (as part of the February 2024 email) in alerting Mr K to the potential issues with his use of the account.
- The account is not designed to be used for holding large cash balances for a significant period of time, but rather it is designed for trading and holding stocks and shares.
- While Mr K believes he is entitled to interest due to the obligations on IWeb through the Consumer Duty, this needs to be considered in the round. He did not find it would be fair to say Mr K has been treated unfairly when considering the overall benefits and the nature of the service provided.

Mr K didn't agree with the investigator's conclusions and requested an ombudsman reaches a decision on his complaint.

In summary he said:

- He agrees IWeb does clearly state it doesn't currently pay interest on cash balances,

so is not contesting this point.

- The FCA's December 2023 Dear CEO letter states: 'the FCA makes it clear that both charging an administration fee, and not paying interest on cash balances, is not fair under the FCA's Consumer Duty regulations'.
- The FCA letter explicitly refers to 'the FCA Duty outcomes of price and value'.
- The 'price and value' outcome when applied to his complaint forbids iWeb from providing no interest on cash balances, simply by not charging a negligible (by comparison) administration fee.
- He agrees iWeb are not double dipping as there are no fees charged for holding cash. But his complaint is that iWeb is using the profits from not paying interest on cash balances from one tranche of consumers (like himself) to fund the lack of administration charges on other consumers (those with no cash balances, who are not losing out). It is this cross-subsidisation of one tranche of customers by another tranche that the FCA has made clear it will no longer accept.
- Not providing a fair outcome in terms of price and value to one tranche of customers is no longer allowed under the current FCA Consumer Duty, even when the firm admits it is doing so.

### **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.

Firstly, I acknowledge Mr K's comments about there not being a disagreement that iWeb made it clear that it wasn't paying interest. But I think it is relevant to note that I'm satisfied it was meeting its obligations to ensure Mr K understood how the products work. This is part of its overall regulatory obligations. I also find it was proactive in providing support to Mr K and aiding his understanding in its February 2023 email about the cash balances he was holding in his ISA. It provided clarity on the situation with regards to interest payments not being made. It also gave options for Mr K to consider to help him benefit from the product he held, or move his funds to an alternative product.

But the crux of Mr K's concerns are about iWeb not treating him fairly due to the fact it isn't paying him interest on the cash balance he holds in his ISA. So, I will concentrate my findings on this point. From the information provided it does seem that Mr K is holding a relatively large cash balance (around £16,700) and he isn't using his ISA to regularly trade in shares. I understand he has one line of shares that he's held for a few years from which he receives dividends when due, but largely his stocks and shares ISA is being used to hold cash.

Mr K says he understood when the FCA introduced the Consumer Duty in 2023, it was no longer acceptable for firms not to pay interest or unreasonably low interest on cash balances. He says iWeb had a duty to provide a fair interest rate on the cash in his ISA.

I acknowledge the points Mr K has raised about the Consumer Duty – specifically the comments about the price and value outcome. And I understand why he relates this to his complaint about the service he has received from iWeb. The Consumer Duty is something I've taken this into account when reaching my findings and deciding what I find to be fair and reasonable in the circumstances of this complaint.

The FCA say the price and value part of the Consumer Duty focuses on "...*ensuring the price the customer pays for a product or service is reasonable compared to the overall benefits (the nature, quality and benefits the customer will experience considering all these factors). Value needs to be considered in the round and low prices do not always mean fair*

value.” So, in reaching a decision on Mr K’s specific complaint, I’ve considered what the FCA says here, and I’ve looked at IWeb’s actions in the round.

I make the following observations from the available evidence.

Mr K’s stocks and shares ISA isn’t designed for holding large cash balances for significant periods of time. It is designed to be used for investing in stocks and shares, while providing tax advantages due to there being no UK income tax, capital gains tax or dividends tax on the investments held within the ISA. Mr K’s usage of the account over the last few years indicates he isn’t trading and instead is holding cash savings within it. While I appreciate he believes IWeb should be paying him interest, I don’t think this changes the fact his use of the account isn’t consistent with the overall design of it.

IWeb says it uses retained interest to help it to develop its products and services and this is an important component of its overall income stream. So, it has provided some justification for retaining interest and not passing it on to Mr K.

IWeb confirmed it doesn’t charge customers for holding cash.

The IWeb stocks and shares ISA product doesn’t incur any annual account charges or inactivity fees. There is no dealing commission on any international trade, and there is a low dealing commission rate of £5 per UK or fund trade. And when considering overall value, looking at one aspect of a product in isolation isn’t helpful in reaching a conclusion. So all of this information and the situation with regards to interest retention needs to be considered in the round.

I acknowledge the comments Mr K makes in relation to the Dear CEO letter the FCA sent in December 2023. This does provide further relevant information to the situation where customers are holding cash balances in investment accounts. I note the FCA references that firms need to ensure they provide fair value when retaining interest. But it doesn’t say firms *must* pay interest.

I have carefully considered whether the outcomes set out in the Consumer Duty have been met, in particular, price and value and consumer understanding. As already referenced, IWeb did provide clear information that allowed Mr K to understand that interest wouldn’t be paid on the cash balance in his ISA. While Mr K doesn’t think fair value is being provided due to interest not being paid to him, I’m satisfied that, when looking at the overall benefits and nature of the service he is receiving through his ISA, IWeb has met its obligations under the Consumer Duty and in the round Mr K has been treated fairly.

Mr K has suggested that IWeb is using the profits from not paying interest on cash balances from one tranche of consumers (like himself) to fund the lack of administration charges on other consumers (those with no cash balances, who are not losing out). I haven’t seen persuasive evidence to support this assertion and IWeb says the retention is used for product and services development. But Mr K’s point that others who don’t lose out receive a benefit from him not receiving interest still stands. I note the FCA is clear in FG22/5 7.52 that:

*‘The Price and Value outcome rules do not....*

*Prevent firms from adopting any business models which may have different prices for different groups of consumers, or prevent cross subsidies between different products and services. However, firms should be able to justify the fair value of each product or service offered to each customer group...’*

As I've already concluded, I'm satisfied IWeb acted fairly in relation to its obligations under the price and value outcome. And I can't ignore the fact that IWeb doesn't encourage customers to hold cash – it clearly sets out that interest won't be paid and it proactively wrote to Mr K in February 2024 to highlight that he wasn't receiving interest and to offer suggestions to invest the money or transfer the cash to a savings product.

In conclusion, for the reasons given above, I haven't found Mr K has been treated unfairly on this occasion.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 21 July 2025.

Daniel Little  
**Ombudsman**