

## **The complaint**

Mr T complains about the service he received from Paragon Bank Plc (“Paragon”) when transferring his funds into what he believed was an ISA. In particular, Mr T Paragon says Paragon failed to make it clear he wasn’t transferring his funds into an ISA and that instead a one-year fixed rate bond was opened resulting in Mr T losing the ISA tax free wrapper.

## **What happened**

Mr T held a Triple Access ISA with Paragon. This was opened and funded in October 2022 £20,000 from Mr T’s ISA account, and £85,064.55 by transfer from another ISA held elsewhere.

Mr T says he called Paragon regarding the transferring of an account in November, but Paragon doesn’t have a record regarding this call – possibly due to it being a general enquiry by Mr T rather than an enquiry on an account held with it.

On 21 November Mr T believing he was opening an ISA or a product held within an ISA wrapper, opened a 1-year fixed rate bond account – not a product held within an ISA - by an application over the internet funding this by transfer of £85,000 of his funds held in his ISA with Paragon. This resulted in Mr T’s funds losing their ISA tax wrapper status.

Mr T has provided confirmation emails he received from Paragon on 21 and 22 November 2022 welcoming him to his new 1 Year Fixed Rate and asking him to see the Product Terms and Conditions provided during the application for all the information specific to the product he selected, as well as advising that he cannot make additional deposits after the funding window has closed, or access his money until the account matures. Paragon confirmed he can deposit funds in by transferring his savings from existing Paragon accounts and confirmed it had received his opening deposit. No where in these emails do Paragon refer to an ISA being opened.

Mr T has also provided a copy of a screenshot showing that he’d opened online a “1 YEAR FIXED RATE” account online depositing £85,000 in and again there is no mention of the account being an ISA.

Paragon records show that Mr T was sent the terms and conditions for the bond account by secure message with a link to these the following day. Paragon says this makes it clear that it is not an ISA.

During a call on 4 July 2023 when discussing another complaint with Paragon regarding the transfer of an ISA to another provider, when Mr T stated that he didn’t want to lose his ISA status, the advisor told him that he currently didn’t hold an ISA with them but rather had a 1-year fixed bond account. Mr T agreed he was mistaken to say it was an ISA and accepted it was not an ISA product. Following this call Mr T called Paragon back wanting to speak to the advisor he’d spoken to previously but being unavailable Mr T left a message to confirm that the accounts held by him and his wife were ISA’s and the advisor had been incorrect to say they were not.

As the advisor didn't call Mr T back to correct him, he presumed his account was an ISA.

Paragon sent Mr T a final response letter on 13 July 2023 which while providing a response to a complaint Mr T had raised with it also confirmed the products Mr T held with it.

On 7 November 2023 Mr T called Paragon to provide maturity instructions for his bond and confirmed he wanted to invest in another 1-year fixed loyalty bond. Paragon's records show Mr T was sent another automatic SME message on 21 November 2023 with a link to the terms and conditions which in no way suggest the product is an ISA or held within an ISA.

On discovering his bond account wasn't an ISA on maturity in November 2024, Mr T complained to Paragon about this.

Paragon didn't uphold Mr T's complaint and issued a final response on 25 November 2024. Paragon said Mr T selected the product in November 2022 and that the information Mr T would've seen during the application process – including warnings - made it clear it was not an ISA and that this was also made clear to him during his call with an advisor on 4 July 2023.

Paragon agreed when Mr T called back that day that the advisor he spoke to should've confirmed it was not an ISA he held but a fixed rate bond instead of taking a message but that this was made clear in its letter of 13 July 2023. Furthermore, Paragon explained that as Mr T referred to the product as a bond when providing maturity instructions during the call with its advisor on 7 November 2023, they wouldn't have been aware Mr T believed it was an ISA.

Mr T was dissatisfied with this and so brought his complaint to this service. He says due to Paragon not making it clear he wasn't investing in an ISA he is now liable to pay tax on the income and that this error of Paragon's has been compounded by the fact that the funds were reinvested again in November 2023 and 2024.

Mr T says if Paragon had called him back following his telephone calls with it on 4 July 2023 and confirmed his account wasn't held within the ISA wrapper he could've resolved the matter at an earlier stage.

To resolve the complaint Mr T wants Paragon to reinstate the ISA status for his account from November 2022 notifying the HMRC of the same and compensate him for the loss of interest and distress and inconvenience suffered.

One of our investigators looked into Mr T's concerns but didn't think Paragon had to do anything further to address his complaints. They were satisfied that Paragon's process when opening the bond made it clear Mr T wasn't opening an ISA product and that the terms and conditions reinforced that the product opened was a bond.

They agreed that it would've been helpful if Paragon's adviser had confirmed the product was not an ISA during the second call on 4 July rather than taking a message, but thought as this was made clear during the first call and in the following letter it wouldn't be fair or reasonable to hold Paragon responsible for Mr T's incorrect presumption that his bond was not an ISA.

Mr T disagreed, he says the fact Paragon admits it can't produce computer records of his application from November 2022 undermines the credibility of its position. Mr T says he never saw a warning message about the loss of ISA status and that this should've been highlighted and not buried in small print or vague language. Mr T says just because a product doesn't say ISA doesn't make it clear that tax benefits were being lost.

Furthermore, Mr T is adamant he never received Paragon's final response letter from 13 July 2023 stating that the bond account wasn't an ISA and that had he received this he would have withdrawn the funds immediately and reinvested in vehicles offering capital growth rather than income and incurring no tax.

Mr T has asked for an ombudsman's decision on the matter.

### **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 need to make it clear here I am only looking at Mr T's complaint regarding the service received from Paragon when he opened his sole bond account and not that of his wife's as that is the subject of a separate complaint that needs to be raised by Mrs T individually as the complainant.

I hope that Mr T won't take it as a discourtesy that I've described and condensed his complaint in the way that I have, the background to the complaint is known by both parties and so I don't see the merit in repeating it in detail here. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Our rules allow me to do that.

It might help if I explain here my role is to look at the problems Mr T has experienced and see if Paragon has done anything wrong or treated him unfairly. If it has, I would seek – if possible - to put Mr T back in the position he would've been in if the mistakes hadn't happened. And I may award compensation that I think is fair and reasonable.

And where there is a dispute about what happened – as in this case, I've based my decision on what I consider most likely to have happened in the light of the available evidence.

Having considered all the evidence, I'm in agreement with our investigator and I don't think there is anything much more of use I can add.

Though I don't doubt Mr T genuinely believed he'd opened a product held within an ISA wrapper in November 2022 and provided maturity instructions to reinvest in an ISA, I don't think this mistaken belief was due to any wrongdoing on Paragon's part. I say this as I haven't seen any evidence that Paragon described the account or bond Mr T opened as anything other than a fixed rate savings bond.

Although Paragon can't provide the exact screenshots of the customer journey Mr T went through in 2022, it has provided screenshots of its current customer journey when opening accounts which I've no reason to believe isn't similar if not the same to what Mr T saw.

I can see that under the heading "Choose the right account for you" there are three tabs – Cash ISA, Fixed Rate and Access and following selecting the product required from the tab – in Mr T's case the fixed rate - the customer is then able to select the interest rate and term and view information on the product and apply for the product selected. And as Mr T chose a fixed rate product which was located under the "Fixed Rate Tab" I can't say that Paragon didn't make it sufficiently clear that Mr T wasn't applying for an ISA when he had to click on a different tab to the ISA tab to get the product he ended up with.

Furthermore, I note that all the screenshots provided by both Mr T and Paragon of Mr T's application history and when both opening the fixed rate bond account and selecting maturity

instructions, that nowhere does it list or describe the product as being an ISA, held in an ISA or attribute the product as having any ISA benefits.

It seems that the only reason Mr T believed this to be the case was due to a most unfortunate incorrect presumption on his behalf - perhaps due to a lack of understanding in the terminology of an ISA. And so I don't think its reasonable or fair to say Paragon made a mistake or didn't make it clear the fixed rate account wasn't an ISA when it didn't describe the product as one and provided all the important information to Mr T at the time of opening the account about the product.

Paragon have also provided a screenshot of what customers see when transferring funds from an ISA with Paragon to the newly opened account and I can see that in red with an exclamation mark it says:

"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've no reason to believe that Mr T didn't receive this message when transferring his funds or that Paragon's customer journey was any different when Mr T made the transfer and so although - I appreciate Mr T believed he was transferring to an ISA – I think this warning was a reasonable prompt for Mr T to check this was the case and don't think it fair to penalise Paragon for Mr T not doing this.

And I don't think it can be said that Paragon is at fault for Mr T's continued belief that he had an ISA when it didn't call Mr T back following the message he left with it on 4 July 2023. By this point Paragon had already told him that he didn't hold an ISA with it and confirmed the product held around a week later in writing. If there was any doubt whatsoever I would've expected – given the tax consequences – that it's not unreasonable to expect one would follow up with Paragon about this rather than continue along with the mistaken presumption that the product was an ISA. But Mr T didn't do this or even check this again when he had the opportunity to do so when providing his maturity instructions in November 2023.

I appreciate Mr T is confused about how you identify what is an ISA and confused about the difference between a fixed rate savings account and a fixed rate bond and I too agree this can be confusing. But this is not due to any misleading description on Paragon's part but rather the way ISA's are structured and described in the financial industry as a whole. Bonds or savings accounts whether fixed term or not are products that can be held within an ISA wrapper, but they don't have to be and are often not. The only sure way of knowing if your investment is held within an ISA is if it is described as such with the three letters I-S-A or asking for the provider to confirm the same.

Finally, Mr T is unhappy about the way Paragon have investigated his complaints and the customer service he's received in this regard. But complaint handling isn't a regulated activity (or ancillary to a regulated activity), so it's not within my powers to make an award for any distress and inconvenience this may have caused Mr T.

So it follows - and I know this will come as a disappointment - that I do not uphold this complaint because I don't agree that it was a mistake or error made on Paragon's part that led Mr T to transfer and invest the proceeds of his ISA into a non ISA product or wrongly led him to believe he continued to hold an ISA with it.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 17 July 2025.

Caroline Davies  
**Ombudsman**