

The complaint

Miss O complains that Aviva Life & Pensions UK Limited ('Aviva') failed to disable the interest on her investment ISA despite her previous request to do so.

What happened

Miss O set up a stocks and shares ISA with Aviva in December 2024 and shortly afterwards, invested her monies into a fund that was marketed as being Sharia compliant. Later the same day, she also emailed Aviva asking that any interest which may become due, was disabled.

After Aviva paid interest into the cash element of her investment ISA, Miss O decided to formally complain to Aviva. In summary, she said that she didn't want any interest paid into the ISA as this isn't allowed under Sharia law.

After reviewing Miss O's complaint, Aviva concluded they were satisfied they'd done nothing wrong. They also said, in summary, that whilst the fund she was invested in does state that is Sharia compliant, that relates purely to the fund itself and not the actual ISA wrapper that the fund sits in. Aviva went on to say that they have never stated, nor do they claim, that their investment ISA is compliant with Sharia law. That's because, they say, their ISAs have a built-in cash element (or pot) which provides the flexibility to buy into funds or remain in cash. Aviva said that if there is any money left in the pot after the payment of wrapper fees, then they pay interest each month on the balance. Aviva also explained that they were unable to 'switch off' any interest earned on the cash element of the ISA.

Miss O was unhappy with Aviva's response, so she referred her complaint to this service. In summary, she said that it was never her intention to accumulate any interest back into either the stocks and shares ISA or any cash pot. She said that she had not even set up a separate cash pot.

The complaint was then considered by one of our Investigators. He concluded that Aviva hadn't treated Miss O unfairly because from what he'd seen of Aviva's terms, they were clear how the ISA would be arranged which included the addition of any interest on positive cash balances.

Unhappy with that outcome, Miss O then asked the Investigator to pass the case to an Ombudsman for a 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 have summarised this complaint in less detail than Miss O has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

My role is to consider the evidence presented by Miss O and Aviva in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm not upholding Miss O's complaint - I'll explain why below.

Miss O states that she never asked Aviva to set up a separate cash pot for her investment ISA. So, I think it would be useful to provide some context to how an ISA is typically structured. General investment ISAs always include a cash pot within the plan; the cash pot plays a crucial operational role that distinguishes it from the invested funds themselves. While the core of the ISA is normally made up of assets like shares, funds or ETFs, the cash pot acts as a flexible holding area that supports the day-to-day mechanics of the account. It's used to pay platform fees and fund charges, ensuring that these costs are covered without needing to sell investments unexpectedly. It also serves as the initial landing zone for incoming money, whether from new contributions or proceeds from selling investments before those amounts are reinvested. Additionally, dividends and interest payments from held assets are typically paid into the cash pot where they can be held, withdrawn or reinvested according to the investor's strategy. This separation allows for smoother transactions and better control over liquidity, making the cash pot an essential buffer and facilitator within the ISA structure. So, in short, an investment ISA would struggle to function without a cash pot.

So, whilst Miss O was able to purchase an investment fund to sit within her ISA that was Sharia compliant, it's important to recognise that Aviva's ISA wrapper itself does not meet Sharia principles. This is because although the selected fund Miss O chose avoided prohibited sectors and complied with Islamic screening criteria, the operational structure of the Aviva ISA includes the cash pot (that I've mentioned above), which functions independently of the fund's ethical constraints. After charges are deducted, often from the cash pot, any residual cash held within the ISA will accrue interest, particularly as Aviva pays interest on uninvested balances.

Since earning interest isn't permissible under Sharia law, this feature means the overall ISA arrangement could compromise religious compliance, even if the underlying fund remains Sharia compliant. So, investors seeking full Sharia compliance should therefore consider not just the fund selection but the behaviour of the wrapper itself. Importantly, Aviva say that they do not market their investment ISA as being compliant with Sharia principles and having had a look at their website, I was unable to find any claims that their offering met those undertakings.

So, I've gone on to consider whether Aviva made it clear that there would be a separate cash pot within the wrapper and that it would also yield interest on any cash balances held within it – and I'm satisfied that they do. Within the terms and conditions of the ISA that Miss O would've been provided with at the time she opened her ISA with Aviva, it explains in section 11:

“(i) Cash Account – general

Cash within your Aviva Stocks & Shares ISA will be held in one or more client money bank account(s) with external providers of our choice. This cash will be held in accordance with FCA client money rules, as amended from time to time. The interest rate is variable and can be positive, zero or negative. A negative interest rate means that there is a cost of depositing money with the Banks. You can find the Cash Account’s current interest rate and details of the external account providers online at [aviva.co.uk/bank-interest-rates](https://www.aviva.co.uk/bank-interest-rates). Interest will be credited to or debited from (if the rate is negative) Your Cash Account monthly on or around the 1st of each month.”

Whilst Miss O states that she didn’t ask Aviva to open a separate cash pot for her, this facility isn’t optional as it forms part of the standard ISA wrapper. The terms and conditions provided to Miss O at the time she opened the investment clearly state that interest may be paid on any cash balances held within the plan. As such, the inclusion of a cash facility doesn’t in my opinion constitute a breach of Aviva’s product terms or a misrepresentation. And, in any event, given Miss O opened the ISA on an execution only basis, without any advice or a recommendation from Aviva, it was her decision alone to open the investment with Aviva but I well suspect that had she called them beforehand to check whether the product paid any interest, Aviva would have gladly signposted the relevant information to her.

Aviva have explained that to assist Miss O, their team are willing to remove any interest paid into the ISA and remit it to a charity or elsewhere of her choice. Alternatively, Miss O is able to move her ISA to another provider that doesn’t pay interest on cash balances.

My final decision

I’m not upholding Miss O’s complaint and as such, I won’t be instructing Aviva Life & Pensions UK Limited to take any further action.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss O to accept or reject my decision before 11 December 2025.

Simon Fox
Ombudsman