

The complaint

Mrs S has complained that Santander UK Plc (“Santander”) failed to make it clear to her that she could transfer some of an Inheritance ISA to other Cash ISAs.

What happened

Sadly, Mrs S’s husband passed away. Following this, Mrs S approached Santander so she could pay the balance of all of her late husband’s ISA accounts into a single Inheritance ISA with Santander.

Doing this allowed Mrs S to transfer the balance of all of the late Mr S’s ISAs into a single Cash ISA in Mrs S’s name - without affecting her current year subscription limits. The payments into the Inheritance ISA are processed as Additional Permitted Subscriptions (APSs).

Mrs S opened an Inheritance ISA on 27 April 2024, but unfortunately there were delays in her late husband’s ISA balances being paid into it.

Mrs S has raised separate complaints about the delays and difficulties she faced in transferring various ISA’s (both internal and external to Santander) into the Inheritance ISA. So I won’t address those complaints here.

After the balances of various ISAs had been transferred into the Inheritance ISA, Mrs S said she was unhappy that Santander had not explained to her that she could’ve made partial transfers *out* of the Inheritance ISA at any time. Mrs S thought that she had to wait for all of the money to be paid into the inheritance ISA, before she could then transfer any money out of it. Mrs S says she missed out on earning higher rates of interest, because she didn’t realise she could’ve transferred the money out sooner.

Santander issued its final response to the complaint on 28 March 2025 and partly upheld the complaint. It explained that Mrs S could’ve transferred money out of the Inheritance ISA, and that she’d need to contact other providers if she wanted to do that.

Santander did say however, that Mrs S was prevented from transferring the proceeds of one of her late husband’s ISA accounts (with a provider I will refer to as S), as there were delays in processing the inbound transfer. Because of this Santander paid Mrs S £437.67 – which reflected the additional 1% of interest that Mrs S says she could’ve earned on the balance of the delayed ISA balance from S. This was because Mrs S had missed out on earning 5.05% interest with another ISA provider, as the delay led to her only being able to obtain 4.05% interest on that money instead.

After referring her complaint to this service, Santander contacted this service and offered to pay Mrs S a further £1.21 – which reflected a further day of interest at 1% (because the redress in the final response letter failed to account for it being a leap year). Santander also offered to pay Mrs S a further £100 for this error.

An investigator explained Santander’s offer to Mrs S and overall, they thought it was reasonable and in line with what this service would offer. As Mrs S didn’t accept the offer, an investigator assessed the remaining aspects of the complaint, but they didn’t uphold the complaint.

In summary, the investigator said that Santander had provided Mrs S with information about the inheritance ISA terms and conditions. These explained that money in the Inheritance ISA can be transferred at any time, either in full or in part, to another Santander ISA or to another provider, by contacting the new ISA provider. So they concluded that Mrs S had been given correct information that made it clear she could've transferred money out of the Inheritance ISA at any point, had she wanted to.

During our involvement with this complaint, Mrs S also raised a concern about Santander closing an ISA her late husband held with Santander on 30 April 2024, rather than upon maturity as she'd requested. The investigator contacted Santander to provide evidence around this point, and the investigator was unable to find that Santander was at fault as Mrs S had given consent for her late husband's ISA to be closed.

As Mrs S remained unhappy with the outcome reached by the investigator, her complaint was referred for an ombudsman's 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.

Having considered everything, like the investigator, I think the redress offered by Santander is reasonable. And I don't think Santander acted unfairly or unreasonably regarding Mrs S's belief that she had to wait for all of the money being transferred into the Inheritance ISA before it could be transferred out. No do I think that Santander was at fault for closing the late Mr S's ISA when it did. I will explain why.

Being able to transfer out of the Inheritance ISA

I appreciate that this complaint has come about because Mrs S had sadly lost her husband. I'm sorry to hear about that. I recognise that dealing with such financial matters must've been very difficult for her in the circumstances.

Mrs S has complained that Santander should've made her aware that she could transfer money out of an inheritance ISA - even when she was waiting for money to be paid into it from other accounts that her late husband held with other providers.

In response, Santander has said that it had provided Mrs S with the Key Facts document for the Inheritance ISA, which said:

"Can I withdraw Money

...

You can also transfer your cash ISA (in full or in part) to another Santander cash ISA or to another provider by contacting the new ISA provider."

Based on the information that Mrs S was provided with, I'm satisfied that Santander had highlighted that Mrs S could transfer money out of her ISA to another provider – and that it didn't have to be the full balance either.

Mrs S says that the above section of the Key Facts document is unclear, as it refers to a "Cash ISA", rather than an "Inheritance ISA". But I'm not persuaded by Mrs S's point here. It is made clear in the Key Facts document that an Inheritance ISA is a Cash ISA. And the purpose of the document is to give information about the Inheritance ISA product specifically. So, I think it was reasonably clear that when the Inheritance ISA Key Facts document said you could transfer (in full or in part) from a 'Cash ISA' to other ISA providers, that it was referring to the Inheritance ISA.

Mrs S has also said that Santander should've given her risk and investment information about the investment. But the ISA in question is a cash savings account that sits within an ISA 'wrapper'. It is not an investment product (for example, it's not a Stocks and Shares

ISA). Therefore, as it is not an investment product, I can't say that Santander has done something wrong by not giving Mrs S 'investment information'.

What Santander was required to do was provide Mrs S with clear information about the ISA so she understood how it operated. Overall, I'm satisfied it did that by providing Mrs S with the above mentioned Key Facts document and by explaining to Mrs S about how to set up the inheritance ISA - so that Mrs S could pay in money from her late husband's ISAs, without losing the tax-free status or affecting her current year subscriptions.

Mrs S says that she didn't read the document about the Inheritance ISA that was given to her. I appreciate that her bereavement, and her having to deal with her late husband's estate, may've been the reason for this. But, whilst I can understand why Mrs S may not have read the document, at the same time, I can't reasonably say that Santander is at fault because she didn't read it - which resulted in her not understanding where she stood, regarding transferring money out of the Inheritance ISA.

Mrs S says that Santander had warned her that, if she withdrew money from the ISA, then, because it's not a flexible ISA, anything she withdrew would lose its tax-free status. But what Santander said is correct i.e. if she withdrew money from the Inheritance ISA (as opposed to transferring it into another ISA), it *would* lose its tax-free status. So I can't say that Santander is at fault for warning Mrs S about an important feature of how the tax wrapper element of the account worked. On the contrary, I think it was sensible that Santander did that, in case Mrs S withdrew money from the Inheritance ISA (rather than transferring it), not realising that doing so would result in that money losing its tax-free status.

So based on everything I have seen, I don't think that Santander acted unfairly or unreasonably regarding the information it gave Mrs S about the inheritance ISA. It therefore follows, that I don't think Santander can reasonably be held responsible for Mrs S missing out on earning interest elsewhere on the entire Inheritance ISA balance, because she didn't realise she could've transferred money out of it sooner.

Redress offer from Santander

Santander has accepted that there was a delay in transferring the balance from provider 'S' into the Inheritance ISA. Santander accept that delay had the knock-on effect of Mrs S missing out on earning 5.05% interest with another provider on that amount of money. I understand that when Mrs S did transfer money out of the Inheritance ISA, the interest rate from that provider had dropped to 4.05% instead. Therefore, the delay led to her losing out on earning an extra 1% of interest on that money. So, I think it's reasonable that Santander reimburse Mrs S for this financial loss – which is what it offered to do in its response to this complaint and in the offer it made after this complaint was set up with this service.

Mrs S has questioned why she's only been awarded 1% of interest, rather than 8% of simple interest. However, I can see the investigator has already addressed this in their assessment of Mrs S's previous complaint (that this service looked into before this complaint was set up).

I agree that reimbursing Mrs S for the actual financial loss she incurred is fair and reasonable in the given circumstances. This service generally awards 8% compensatory interest when someone has been deprived of having the benefit of money, but an actual financial loss can't be calculated. But in this case, an actual financial loss can be calculated - based on the difference in interest between what she did earn on that money and what she could've earned, had things gone as they should've and she'd been able to transfer that money out sooner. This seems like a reasonable approach to base its offer of redress on - as it puts Mrs S back into the position she would've been in, had the delay not occurred and she'd been able to secure the higher rate of interest on the money from S.

I appreciate that resolving matters has been distressing for Mrs S. However, I'm also aware that Mrs S has received compensation awards under separate complaints for the distress and inconvenience caused to her by the events surrounding the Inheritance ISA. In the

circumstances, I think paying Mrs S a further £100 compensation (in addition to the previous awards paid to her) seems reasonable. So I don't think this element of the award should be increased.

Closure of late husband's ISA

Mrs S has also complained that Santander closed her late husband's ISA. Mrs S says that she told branch staff that she wanted Mr S's ISA to remain open and only be closed upon maturity.

Santander has provided a copy of a call recording on 27 April 2024 of a conversation Mrs S had with its bereavement team. In that call, Santander's bereavement team explained the ISA can be closed down and the balance paid into Mrs S's current account. Mrs S confirmed she was happy for that to happen. As a result, the ISA was closed and the proceeds of the ISA were paid into Mrs S's current account on 30 April 2024.

So based on the evidence provided to me, I can't say that Santander's bereavement team did anything wrong in closing the late Mr S's ISA when it did, as it was simply acting on Mrs S's instructions to close the ISA that she gave over the phone. Ultimately, if Mrs S didn't want her late husband's ISA to be closed immediately and wanted it to run until maturity, then she would've needed to have explained that to the bereavement team, when they asked if she wanted to close her late husband's ISA. Afterall, when Mrs S spoke to the bereavement team on the phone, they wouldn't have known the details of what Mrs S had discussed with the branch staff.

Mrs S has also said that APS value for her late husband's Santander ISA should not be worked out using a mix of valuation points and should be either the value of the ISA on the date of death, or the value that of the account from when it ceases to be a continuing account after death.

Looking at the APS forms that Mrs S signed, they say that, as her husband died after 6 April 2018, Santander will give her an APS limit of whatever is the higher amount, the value of the ISA on the date of death or the value when the ISA wrapper is removed.

In this case, the ISA wrapper was removed when the ISA was closed. And that only happened because Mrs S have given Santander consent to close her late husband's ISA. Santander has confirmed that it based the APS limit for that account upon the date of closure, as that was the higher amount. Mrs S says that this is a breach of the ISA rules. But Santander awarded her the highest amount possible for the APS value from her late husband's ISA. So I can't reasonably say that in doing that, it had acted unfairly or unreasonably towards Mrs S.

Finally, Mrs S has also said she's unhappy about the amount of time it took for the balance of her late husband's Santander ISA to be paid into the Inheritance ISA. However, looking at Mrs S's previous complaint with this service against Santander, I can see that that she'd raised this in her previous complaint. And any delays in transferring her late husband's ISAs was already considered by the investigator in Mrs S's previous complaint, so I won't comment further on that point within this decision.

So in summary, I don't think Santander acted unfairly or unreasonably in regards to Mrs S not realising that she could've transferred money out of her Inheritance ISA sooner than she did. But I do think the redress offered by Santander is reasonable, as it puts Mrs S back into the position she would've been in, had the transfer of the balance of Mr S's ISA's with provider S not been delayed and Mrs S had secured a higher rate of interest on that money.

Putting things right

To put matters right, I require Santander UK PLC to pay Mrs S £1.21 to cover the extra day of lost interest, and £100 for the distress and inconvenience caused by Santander's handling of this issue.

My final decision

Because of the reasons given above, I uphold this complaint and require Santander to do what I have outlined above, to put matters right, in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 24 October 2025.

Thomas White
Ombudsman