

The complaint

Mrs H complains that National Savings & Investments froze her income bond account.

What happened

Mrs H had an income bond with NS&I. But in March 2025, Mrs H noticed that she hadn't been credited with interest. NS&I told her that it had frozen the account as they thought the source of the funds deposited into the account was from a third party – and this wasn't permitted under the account's terms and conditions. Dissatisfied, Mrs H referred the complaint to us.

Our investigator looked at this and didn't think the complaint should be upheld. Mrs H didn't agree. The complaint has been referred to me to decide.

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 don't uphold the complaint. I'll explain why.

NS&I is subject to important legal and regulatory requirements that means it needs to understand the source of its customers' funds and may need to carry out a review at any time. This is reflected in the terms and conditions that applied to NS&I's accounts. These required Mrs H to pay money in from an account in her name and also allowed NS&I to refuse instructions in certain circumstances.

Here NS&I says it froze the account because it came to its attention that the original source of funds was in fact a third party. It says third party sales aren't allowed under the terms and conditions that apply to this account. It therefore froze the account while it carried out an investigation.

Mrs H says this is unfair. She says she categorically denies NS&I's claim and says it hasn't provided any evidence to support this assertion. She also says the terms and conditions don't clearly prohibit third party payments and that if payments were made from another person's account NS&I should have prevented this. Finally, in May 2025 Mrs H wrote to NS&I saying that any payment made into her account by her husband mustn't be returned to him.

We've therefore asked Mrs H for further information about the source of the funds as part of our investigation. Mrs H initially provided some bank statements relating to payments she made to a different NS&I account in June 2020. But the payments relevant to this complaint took place in April 2020. When we asked Mrs H about these earlier payments, she said she no longer had the relevant statements, and said she was puzzled that we were asking her about them.

NS&I, meanwhile, has submitted information in confidence about why it blocked the account.

Our rules allow me to accept information in confidence. I'm satisfied this information is sensitive and cannot be shared with Mrs H. But in summary, NS&I has sent us information about where the funds came from and why it blocked Mrs H's account.

I need to decide what's most likely to have happened based on the information that is available. Although Mrs H says that these funds were hers, she's been unable to provide supporting evidence – and her contention that these funds didn't come from a third party is at odds with her argument that NS&I failed to prevent third party payments and her request to NS&I that they not return any funds to her husband. She was reluctant to answer straightforward questions about the source of these funds. I don't find her arguments persuasive or reliable.

Based on everything I've seen, I'm satisfied the payments into Mrs H's account came from a third party. I'm satisfied that NS&I is acting in line with the terms and conditions and its wider legal and regulatory obligations in restricting the account. I'm also satisfied that NS&I's legal obligations prevent it from lifting the restriction. While I appreciate this has continued for some time, I can't say this delay was avoidable. I don't find NS&I treated Mrs H unfairly.

I acknowledge that this has been distressing for Mrs H. I have every sympathy for Mrs H and don't doubt she's had a difficult time. But as I've found that NS&I was justified in blocking the account, this isn't something that I will compensate Mrs H for – the inconvenience Mrs H experienced would have happened in any event.

I've considered Mrs H's further comments. But they don't change my conclusion. NS&I should contact Mrs H if the position changes.

My final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 13 January 2026.

Rebecca Hardman
Ombudsman