DRN-5741063

The complaint

Mrs B complains that Clydesdale Bank Plc trading as Virgin Money made errors in transferring two ISAs, and she lost interest and tax benefits.

What happened

In October 2024 Mrs B contacted Virgin Money by email as she wanted to carry out two transfers from her ISA to two separate providers, of £60,000 to A and the balance to P which she estimated to be around £29,000. Virgin Money acknowledged Mrs B's email, with the transfer to take place after the ISA matured on 24 October.

Due to human error, when Virgin Money received the two ISA transfer requests, it first transferred £29,000 to P, meaning that there was not enough left in the account to transfer the requested sum to A, meaning its request was rejected.

After Mrs B complained, Virgin Money recalled the payment of £29,000. Following receipt of a second transfer request, it transferred around £58,900 to A on 6 November. Once the money had been received back from P, Mrs B said she had changed her mind and would now like it to be transferred to a different provider, S. This transfer was duly completed by 21 November.

Virgin Money admitted its error and calculated interest lost on each ISA account which was a total of £210.98 (100.89 and £110.09) which it paid to Mrs B. It also paid her £200 compensation for distress and inconvenience.

Mrs B wasn't happy with this as the interest payment did not go into her ISA account, so she didn't receive the tax benefits of this. She was also not happy with the amount of the compensation payment.

On referral to the Financial Ombudsman Service, our Investigator said that Virgin Money should pay additional interest on the interest payment. Also, that it should contact A and S to see if they would accept the receipt of the respective interest payments into the ISA accounts without this affecting Mrs B's annual ISA allowance. He said that £200 compensation was reasonable

Virgin Money was prepared to agree to this - it would need information from Mrs B about her interest rates, and the approval of the two ISA providers.

Mrs B didn't agree and the matter has been passed to me for a review.

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.

First of all, Virgin Money clearly made an error here in the transfer of the monies from Mrs B's ISA to the new providers. It transferred the monies first which were intended to comprise the outstanding balance once the £60,000 had been transferred. It's an understandable error and I've looked at what Virgin Money did to put things right.

I understand that it took several phone calls on Mrs B’s part to ensure the correct transfer took place. I understand that she didn't realise that the transfer to A wouldn't be recalled by Virgin Money. This is because it had already been rejected. And in respect of the transfer of the £58,900 which took place following receipt of a further request from A, Mrs B hasn’t lost any interest because the £1,000 odd balance went to the other ISA which at the time had a higher interest rate.

I think Virgin Money took the right steps to correct its initial error and it transferred the ISAs within the allowed time periods. To some extent what it could do was limited by the other providers, for example P sent the monies back to Virgin Money by cheque.

I'm satisfied that Virgin Money calculated the interest correctly - I've seen the detailed calculation.

As for remedying any continuing loss, I understand that the further interest payment has not been put into an ISA. Our Investigator suggested that Virgin Money contact A and S to see if they will accept the interest payments into Mrs B’s ISAs without it affecting her annual allowance. If A and S are willing to do this, Virgin Money will be able to calculate interest on the £210.98, before transferring it to A and S.

I should advise that if A and/or S aren’t willing to accept the interest payments into the ISAs on those terms, then Mrs B will have to decide whether to pay the interest into some other account. I should make it clear that once Virgin Money receives an answer from A and S, and if appropriate, transfers the money, its liability to pay any further interest on the £210.98 will end. Mrs B will need to provide Virgin Money with details of the interest rate on her ISAs. She should be aware that any such interest payment will be quite a small sum

I further understand that Mrs B is not satisfied with the compensation payment for distress and inconvenience that she has received. In my view she was caused a fair degree of anxiety and inconvenience. She made a number of telephone calls to Virgin Money immediately after the first transfer. I think that the transfers were resolved within three weeks. Virgin Money’s final response was sent on 13 December 2024, so this was within the time allowed.

I note Mrs B's comment about the matter taking over nine months to resolve but we don’t award compensation for the time the complaint has been with this Service. I do think that the £200 was a fair and reasonable compensation to pay and is in line with our guidance.

Putting things right

Virgin Money should: -

- approach A and S and request them to accept a transfer of respectively £100.89 and £110.09 (with any added interest as set out below), without it affecting Mrs B’s annual allowance.

- after Mrs B provides it with details of her interest rates, to add the interest she would have earned on the above figures, from 26 October 2024.

- If A and/or S are not willing to receive the interest in the way I’ve set out, then pay the extra interest directly to Mrs B once it receives the response.

My final decision

I uphold the complaint and require Clydesdale Bank Plc trading as Virgin Money to provide the remedy set out under “Putting things right” above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs B to accept or reject my decision before 4 September 2025.

Ray Lawley
Ombudsman