

The complaint

Mr S complains that his Coventry Building Society ISA was made inactive, as a result of which a payment to it was returned.

What happened

Mr S held an ISA with Coventry BS. Its primary source of funding was Mr S's pension from his former employer, which was credited monthly. Those payments were not enough to exceed the annual ISA allowance of £20,000.

In April 2024 Mr S applied for an ISA transfer with another provider. His new ISA was opened and on 11 April 2024 £15,000 was transferred to it from the Coventry BS ISA, still leaving a balance of more than £2,000 on the account.

Later that month, Mr S's former employer attempted to make the usual monthly transfer of Mr S's pension. It was returned as the building society had deactivated the account. When Mr S asked why that was, it said that no payments had been made to the account in the previous tax year, to 5 April 2024.

Mr S explained the position and the building society arranged for the ISA to be reactivated and for interest to be backdated. The pension payment, along with that due at the end of May 2024, was credited to the account.

Coventry BS reviewed what had happened. It explained that, contrary to what it had said previously, the ISA had been closed because, when he had transferred £15,000 from it on 11 April 2024, Mr S had placed the account in a position where more had been paid out in the tax year than had been paid in. It was its policy to deactivate accounts in that position, so that there was less risk of customers breaching ISA rules. It paid Mr S a total of £175 in recognition of its error.

Mr S did not think he had been treated fairly and referred the matter to this service. Our investigator noted that the building society had made an error, but he thought that the payment of £175 was sufficient compensation in the circumstances. Mr S did not agree and asked that an ombudsman review the case.

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.

It is not for me to comment on the building society's policy of deactivating ISAs where payments out in any tax year exceed payments in. That is a matter for its own commercial judgment. I can understand that the policy might prevent inadvertent breaches of ISA rules, but I can also see that there may be circumstances where it will lead to significant inconvenience – as it did here – even where the account is reactivated relatively promptly.

Coventry BS has accepted that it did not explain things to Mr S as it should have done, and I think too it could have done so earlier. He only identified that he could not use his ISA when a pension payment was returned.

I note however that the building society reactivated the account fairly quickly, once it was asked to do so, and that it made appropriate interest adjustments. It also paid Mr S £175 in compensation. In the circumstances, I agree with the investigator that this was a fair and reasonable resolution of Mr S's complaint, and I do not propose to require Coventry BS to do any more to resolve matters.

My final decision

For these reasons, my final decision is that I do not uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 October 2025.

Mike Ingram

Ombudsman