

The complaint

Mr S complains about how Paragon Bank PLC handled an ISA transfer request which he says caused a loss of interest, time spent on the phone and stress.

What happened

Mr S held an ISA account with Paragon. On 28 April 2025 Mr S requested his ISA be transferred to another firm who I'll refer to as 'R'.

Paragon received the electronic transfer request from R. Mr S' ISA account only held what's known as previous years' ISA subscriptions. However, the electronic request from R asked for current years' subscriptions to be included.

Paragon's system automatically rejected the request because there were no current years' subscriptions in Mr S' ISA account. And when the electronic transfer was originally rejected, it resulted in an automatic rejection message going to R.

The automatic rejection caused Paragon to carry out a manual review of the transfer request.

After reviewing the request Paragon said it was able to proceed with it by manually transferring the previous years' subscriptions. And because this was different to what had originally been requested, it had to process the transfer outside of the electronic system, so Paragon issued the ISA transfer by cheque.

Paragon issued the cheque for postage on 2 May 2025. And R cashed the cheque on 11 May 2025.

I understand Mr S' wife primarily dealt with the telephone calls to R and Paragon in relation to this matter. I gather Mrs S spoke with R, and it advised Mrs S that Paragon had cancelled due to insufficient funds.

So, Mr and Mrs S contacted Paragon to look into what had happened.

Paragon confirmed the transfer had been completed by cheque and the ISA account was closed. But this didn't seem to tally with what R had said. And so, Mrs S raised a complaint on Mr S' behalf.

Paragon advised it will look into the matter and get back to Mr and Mrs S.

After the call Paragon investigated and called Mr and Mrs S back the same day. Paragon explained when the form was filled out both current years' subscriptions and all previous years' subscriptions were requested for transfer. And in order to ensure the correct ISAs were transferred the electronic request had to be abandoned and the transfer process completed manually by cheque.

Paragon advised Mr and Mrs S that R will understand why it has sent a cheque and will be

able to complete the transfer process from there.

Mr R is unhappy because Paragon stopped paying interest on the day it wrote the cheque, but R didn't bank the cheque until around nine days after it was sent.

Paragon said it completed its part of the transfer process within 15 business days in line with HM Revenue and Customs (HMRC) guidelines and it didn't uphold Mr S' complaint.

Mr S remained unhappy so referred the complaint to our service. Our investigator didn't uphold the complaint. He said Paragon had acted reasonably in completing the transfer by cheque and the process had been completed in the 15 business days allowed.

Mr S didn't accept this and asked for his complaint to be passed to an ombudsman for a final 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 done so I've decided not to uphold this complaint. I'll explain why.

I may not mention or respond to every point raised by the parties in my decision, it's not because I failed to take them on board and think about them, but because I don't think I need to comment on those points to reach what I think is a fair and reasonable outcome.

Paragon sent our service evidence to show the electronic transfer request it received from R. This shows an "I" for 'include' was selected for current subscriptions. Mr S might not have selected this himself, but it is what came through on the request from R.

Paragon have explained that because the account was identified as only holding previous years' ISA subscriptions, yet the request asked to include current years' subscriptions, the request was automatically rejected.

I'm satisfied Paragon's explanation for why its system automatically rejected the transfer request is reasonable. The transfer was only supposed to come from the previous years' subscriptions Mr S held with Paragon. So, I think it was reasonable for Paragon's system to reject it given the error on the request it received.

I think Paragon then acted reasonably in observing the request was supposed to be from the previous years' subscriptions only. And so, it completed the transfer manually via cheque.

Paragon said it has to complete the transfer by cheque when doing it manually because it doesn't have access to electronic transfer details from R such as a sort code or account number. I think this explanation is reasonable.

I understand Mr S' concern with R being sent a message to say Paragon had rejected the transfer. But I can understand a rejection message being sent after Paragon's systems rejected the initial electronic transfer. And I think the matter was reasonably resolved by Paragon continuing with and completing the transfer by cheque.

I also understand Mr S thinks Paragon should have contacted him to keep him updated with its actions relating to the transfer. However, though I understand why this might have kept Mr S informed, since R told him the transfer was cancelled, I don't think Paragon had to do this nor do I think it would necessarily have made a difference.

I say this because Paragon was continuing with the transfer, only via cheque not electronically. And 15 business days are allowed in which to complete the transfer, and it was still well within the 15 days at that time.

I also note Paragon explained the situation during the initial calls and it advised why the cheque had been sent and that R will receive the cheque and process it from there. But that still didn't resolve things for Mr S. So, I'm not convinced being told that sooner would have resolved things then either.

I've considered the government guidance for ISA transfers which says:

"Cash ISA transfers

Cash ISA to cash ISA transfers must take place within 15 business days of the transfer instruction being received by the new ISA manager, unless the investor stipulates that the 15 days starts on a later date."

The ISA transfer was completed in 15 business days of the instruction being received. And I can't say Paragon did something wrong or caused a delay in this process.

The 15 business days are intended to account for any issues and the various things that can happen during an ISA transfer which might need to be resolved by the old or new ISA manager. And this includes things like needing to complete the transfer by postal cheque rather than electronically.

Mr S said when he requested the transfer there was no mention it could be done by cheque. Given the transfer was requested through R I expect it would need to address this.

Mr S also questioned when the cheque was posted, and he noted Paragon stopped paying interest the day the cheque was issued.

Paragon have provided evidence to show the cheque was issued for postage on 2 May 2025. And as stated above the transfer was completed in 15 business days, so I'm satisfied Paragon did what it needed to do to complete the transfer in a suitable and timely manner.

Paragon have confirmed it paid interest up to the closure of the account when the cheque was sent. It's important to note, government guidance for ISA best practice says:

"The new ISA provider should apply the transferred funds to the customer's account. Interest on the transferred funds should be backdated either to the date on the cheque, inclusive, or to the date which represents 'day 16' of the transfer process, inclusive – whichever is earlier."

So, as per the guidance it would be for R to apply interest in line with the date of the cheque.

I acknowledge Mr S and his wife spent time on the phone with Paragon and R to find out what was going on. I appreciate this will have been frustrating. Having listened to the calls with Paragon, I think it acted reasonably and provided the relevant information in a timely manner during those calls.

I understand why Mr S chose to contact Paragon, but I don't hold Paragon at fault for the calls being made nor do I think it did something wrong to lead to those calls.

Paragon had already issued the cheque when Mr S and his wife called, and the transfer process was completed within the timeframe stipulated by the guidelines.

I don't think it was unreasonable for Paragon to make the transfer of funds by cheque. And although I understand Mr S' decision to contact both parties and intervene to seek to understand what was happening and to expedite matters, I don't think Paragon should pay compensation for Mr S' involvement.

I've no reason to doubt the transfer would have gone through without Mr S' involvement, and I've not seen evidence to suggest Paragon unreasonably delayed the process.

So, in summary, I think Paragon acted reasonably and in good faith in processing the ISA transfer as it did. And I make no award against it.

My final decision

I don't uphold this complaint.

I make no further award against Paragon Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 2 January 2026.

Gordon Candlish
Ombudsman