

The complaint

Mrs H complains that Lloyds Bank PLC deducted an early withdrawal charge from her cash ISA balance when she transferred her ISA to another provider.

What happened

Mrs H had a one-year fixed interest rate cash ISA with Lloyds, paying interest of 4.6%. She had opened the ISA in July 2024, and in July 2025 she decided to move her money to another provider which was offering a higher interest rate.

On 16 July 2025 Lloyds received an ISA transfer request from Mrs H's new provider, instructing it to transfer the ISA straight away. It completed the transfer on 17 July 2025. It also deducted just over £450 from Mrs H's balance as an early withdrawal charge.

Mrs H queried this charge, because she understood there should have been no charges on her matured ISA. She says the staff member she spoke to was rude and obstructive, and told her that she had transferred the ISA around a week before the maturity date so Lloyds had correctly applied the charge.

Mrs H made a complaint. She said she had given instructions to transfer her ISA following a letter from Lloyds inviting her to let it know what she wanted to do at maturity, and she wouldn't have made the transfer had she known she would be charged. She was unhappy with Lloyds' refusal to refund her, so she referred her complaint to us.

Our Investigator concluded that Lloyds was entitled to apply the charge for early withdrawal and it hadn't misled Mrs H. He didn't recommend that the complaint should be upheld.

Mrs H didn't accept that and asked for an Ombudsman's review. She explained the stress she was under at the time of the transfer and provided a statement which she said showed the ISA maturity date was 15 July 2025. She still didn't think she had been treated fairly.

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've also kept in mind the Consumer Duty when considering Mrs H's complaint, along with relevant rules, regulatory guidance and what I consider to have been good industry practice at the relevant time.

I'm sorry to hear what a stressful time Mrs H had earlier this year, and I hope things have since improved for her. I can understand why she feels aggrieved to have lost a significant amount of interest for transferring her ISA only a few days early. I have to tell her however that I can't fairly uphold this complaint.

Mrs H's ISA had a one-year fixed term. It was opened on 26 July 2024, so the term ran until 25 July 2025. The ISA terms said:

“Deposits and withdrawals

Your fixed term starts on the day you open your account, even if you don't start saving straightaway. You can't withdraw part of your savings but you can close your account early [...]

If you close before the end of the term you will lose an amount equal to:

- 90 days' tax free interest for a 1 year term

[...]

This will be taken from the money you put in your Fixed Rate Cash ISA at the start”

They also said:

“If you want to transfer an ISA

[...]

You can close your Fixed Rate Cash ISA, so you can transfer your account at any time, but if you do this during your chosen fixed rate term you'll lose interest as explained in the deposits and withdrawals section of these conditions. Please let your new ISA provider know whether you want to transfer straightaway (with loss of interest) or wait for your fixed rate term to end.”

I'm satisfied that the terms were clear that if withdrawals or transfers were made during the one-year term 90 days' interest would be lost. Charges for early withdrawal aren't unusual for this type of account, and I don't think they're inherently unfair – a customer can generally benefit from a higher rate of interest in return for leaving their money in the same place for a set period of time, and a bank may incur costs if they then withdraw that money early.

I'm also satisfied that Mrs H transferred her ISA before the maturity date. Lloyds was therefore entitled to apply the charge for early withdrawal, as set out in the account terms.

I don't think that Lloyds misled Mrs H about the maturity date. Its records say that it sent her a maturity letter around a month before the maturity date, and it has provided a template of that letter. I have no reason to suppose that the letter it sent Mrs H was any different. The letter includes the ISA maturity date and sets out the customer's options. It says:

“If you'd like to move your money

Once we open your new variable rate Cash ISA Saver without bonus account you'll be able to move to another of our savings accounts, or take your money out, without charge, but remember that any money you take out or move to a non-ISA account will lose its tax free status. Before then, there is a charge equal to [number of days, depending on term] tax-free interest on the amount moved or taken out.

Alternatively, if you would like to move your Cash ISA to another bank or building society, just tell them to contact us and we'll take care of it.”

Mrs H says that the statement she received for her ISA in July 2025 led her to think that the maturity date was 15 July 2025 – just over a week earlier than it in fact was. She has provided a copy of the statement. It's for the period 16 July 2024 to 15 July 2025 and shows

transactions in that period. It also shows £51.55 in interest was credited to the account on 26 July 2024, giving a total balance of £41,413.74. It shows no further transactions after that date.

I think the timing of the statement was unfortunate, given that Mrs H's ISA was due to mature in July. But July was simply when Lloyds was due to send her an annual statement. And, importantly, the statement wasn't wrong or misleading. It didn't say that Mrs H's then current fixed rate began on 15 July 2024, and it didn't say that her ISA had matured. On 26 July 2024 a £51.55 interest credit was made to the account as that's when the 4.6% fixed rate and fixed term began, as set out on the final page of the statement, which says the interest applied to the account during the statement period was:

"Effective from – 16 July 2024 to 25 July 2024

You changed to a different type of account."

Lloyds' records say that it received a request on 16 July 2025 from Mrs H's new ISA provider to transfer the ISA immediately. It accepted the request and transferred the money on 17 July 2025. This was done through its automated system.

Lloyds acted on the instructions it received. It was entitled to do that, and I wouldn't expect it to have contacted Mrs H to check she wanted to go ahead with the transfer. She had selected the option of an immediate transfer when she applied to her new ISA provider. Lloyds was also entitled to apply a charge for early withdrawal in line with the account terms, I haven't found that it was out of line with regulatory requirements, guidance, or other providers in doing so, and I haven't found that it misled Mrs H about the maturity date. For these reasons, I can't fairly uphold this complaint.

Finally, I've listened to Mrs H's call with a staff member at Lloyds when she complained about the charge. Having done so I don't consider that the representative was rude or obstructive. He explained why he thought Lloyds hadn't made a mistake, recorded the complaint, gave Mrs H the reference number for it, and confirmed that a letter would follow shortly giving Mrs H details of how to refer her complaint to us. While Mrs H didn't agree with what the representative told her, I don't find that I can fairly uphold this complaint on the basis of the service she received when she called.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 5 January 2026.

Janet Millington
Ombudsman