

The complaint

Miss H complains that Newcastle Building Society (NBS) didn't tell her when it blocked her Lifetime ISA (LISA) that this meant she couldn't pay money into the account. She says she lost out on interest and a bonus payment as a result.

What happened

In December 2024 Miss H told NBS that her computer had been hacked. She was worried about the security of her accounts so, with her agreement, NBS blocked her LISA as a precautionary measure.

On 28 March and 2 April 2025 Miss H tried to pay money into the account. NBS rejected the payments and returned them to the paying account.

On 20 May 2025 NBS says that Miss H contacted it to find out why her payments had been rejected. The advisor couldn't tell her what had happened and agreed to call her back. NBS says it tried to call her a number of times but was unable to speak to her until 19 June 2025. It then told her the payments had been returned because of the block on the account and it needed to see proof of identity from her in order to remove the block.

Miss H made a complaint. She said she understood that the block on her LISA meant withdrawals couldn't be made, but NBS hadn't told her that it also meant deposits couldn't be made. As a result, she says she missed the opportunity to contribute to her LISA in the 2024/2025 tax year so she has lost out on interest and the 25% government bonus.

NBS said it hadn't done anything wrong, and it had blocked her account to protect it. Miss H referred her complaint to us. Our Investigator found that NBS hadn't told Miss H when it blocked her LISA that this would prevent deposits, as well as withdrawals, from being made. The Investigator recommended that NBS pay Miss H £100 compensation for that, but she thought Miss H could have contacted NBS sooner when her payments were rejected – so she didn't think it should pay the interest or bonus Miss H had missed out on.

NBS didn't say whether or not it accepted the Investigator's recommendation, but Miss H did not accept it, so her 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.

There's no dispute that NBS didn't tell Miss H when it blocked her LISA in December 2024 that this would prevent not only withdrawals being made from the account but also deposits into it. I agree with our Investigator that NBS should have told Miss H about this. I also agree with the Investigator that it wouldn't be fair or reasonable to require NBS to make good the interest and bonus Miss H missed out on.

Miss H tried twice to deposit money into her LISA before the end of the 2024/2025 tax year. Both times NBS returned the payments. Miss H has said that she was away and without internet access between 4 and 18 April, and she didn't see before she left that the second payment had been returned on 3 April.

Miss H had made the first payment on 28 March. She must have known that that payment hadn't gone through successfully, since she tried again to make it a few days later on 2 April. She didn't however contact NBS to find out what the problem was before trying to make the payment again. She didn't contact it until some weeks later.

I think there were steps Miss H could reasonably have taken to avoid the loss of interest and 25% bonus, but she didn't do so. Her LISA had remained blocked for several months but she hadn't sought to unblock it, and she knew NBS had returned a payment she had tried to make just a week before the end of the tax year but she didn't contact it to ensure that her next attempt to make a deposit would succeed. There was still time following the first unsuccessful payment for the account to have been unblocked before the end of the tax year.

In all the circumstances I find that Miss H could have mitigated her loss and so I can't fairly require NBS to compensate her for her financial loss. I think she should fairly receive some compensation in recognition of the inconvenience and confusion caused by NBS's failure to explain the impact of the account block in 2024 and, while I realise Miss H will be disappointed, I consider that £100 is a fair award.

Finally, I encourage Miss H to send NBS further proof of identity as it has requested in order that it can remove the block from her account if she hasn't already done so.

My final decision

My final decision is that Newcastle Building Society should pay Miss H £100 compensation.

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

Janet Millington
Ombudsman