

The complaint

Mrs W complains that Clydesdale Bank Plc trading as Virgin Money didn't do enough to prevent her from transferring funds from her ISA into a fixed rate e-bond account.

What happened

Mrs W held a cash ISA with Virgin Money for a number of years. She explained she'd always been able to take out a one-year fixed cash ISA in branch. In 2024, Mrs W was told that because she held an e-ISA, she needed to administer it online.

On 17 April 2024, Mrs W logged into her Virgin Money account and attempted to renew her ISA into what she thought was a new one-year fixed rate ISA. But the funds were transferred outside of the ISA wrapper to a one-year fixed rate e-bond. Mrs W didn't discover what had happened until 2025 when her application to transfer to a new ISA provider upon maturity failed.

Mrs W felt Virgin Money mis-sold the fixed rate e-bond account to her. She said she'd never wanted to do online banking and found the website confusing. She recalls completing an ISA declaration for the 24/25 tax year, then ending up on a transfer page. She recalls seeing information about needing to complete a form to transfer an ISA and losing the tax-free status if transferring funds from an ISA, but she felt the information didn't apply as she'd just filled in a form for an ISA. Mrs W recalls that as part of the application she received two downloads, the ISA declaration form along with the terms and conditions for the fixed rate e-bond account. Mrs W says there was no need for Virgin Money to issue the ISA declaration confirmation if she hadn't opened an ISA product. Mrs W complained to Virgin Money and said there weren't adequate warnings to let her know she was moving funds out of a tax efficient savings account.

Virgin Money didn't uphold the complaint. In its final response, it said Mrs W had opened a fixed rate e-bond and at the top of the transfer page a warning was given to say that ISA transfers are not permitted online. It highlighted the transfer page also states the tax-free status on funds will be lost if transferring them from an ISA. Unhappy with Virgin Money's response, Mrs W referred her complaint to this service.

Our Investigator looked into the matter but didn't recommend the complaint should be upheld. He highlighted where Virgin Money had provided warnings to alert Mrs W that funds would lose their tax-free status before the transfer was completed. He thought the welcome letter Mrs W received for the fixed rate e-bond should have given her cause for concern that the product was not an ISA.

Mrs W didn't agree. She said she is not a banker and expected Virgin Money, as the experts, to make negotiating the minefield of information as easy as possible. She explained she'd never wanted to do online banking and had filled in the only reference to an ISA form that she could find online, erroneously assuming that the declaration confirmation was part of the process to transfer funds into a new fixed rate ISA.

Mrs W said she had a different interpretation of the warnings Virgin Money had highlighted. She recognised the website said transferring funds to another ISA with Virgin Money is not permitted online but pointed out as it cannot be transferred in branch either, there must have been a way to do it online. Mrs W went on to say she thought the declaration confirmation she'd completed was the transaction request form, so assumed she had already fulfilled all requirements. Mrs W said the follow up information she later received about the e-bond did not ring any warning bells with her as she'd held a cash ISA fixed rate bond with Virgin Money in the past.

As no agreement could be reached, the 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.

I have a great deal of sympathy for Mrs W and the situation she finds herself in. I've no doubt she genuinely thought she was transferring her funds to another ISA. She feels not enough was done by Virgin Money to warn her that she was moving money to an account where the interest earned could be liable for tax. I do appreciate why Mrs W is unhappy. Given the amount she had saved in her ISA, it is going to take her several years to reinstate the allowance she'd built up over the course of previous years' subscriptions, as well as the opportunity cost of not being able to add any additional savings that could have otherwise been placed into the ISA. But I'm afraid I'm going to disappoint Mrs W because I don't consider this situation has arisen because of anything Virgin Money did wrong.

All business which offer ISAs are governed by ISA transfer rules set by the government. ISAs are different to other financial products, they have a tax-exempt status and as such are overseen by His Majesties Revenue and Customs (HMRC). HMRC has published several guides about how ISA managers should operate. Money withdrawn from an ISA in error can only potentially be reinstated in very limited circumstances, typically when the financial business has made a mistake.

It's important to note that Virgin Money played no part in the transfer itself – it was done entirely online by Mrs W. But I take on board what she'd said about Virgin Money having a responsibility to let her know that she was moving funds out of an ISA, given the tax implications. I agree that Virgin Money should give Mrs W the information she needs, at the time she needs it, and presented in a way that she can understand, so that she can make an informed choice about her next steps. I would expect firms like Virgin Money to make key information clear, visible and accessible and be mindful when it designs its communications that its customers will have differing levels of confidence and experience when transacting online.

But I think the information Virgin Money provided to Mrs W would meet the standard of care the Financial Conduct Authority, as the financial services regulator, expects firms to give to their customers.

The information Virgin Money provided, and that Mrs W broadly accepts that she did see at the time, goes to the very heart of the transaction she wanted to make. The relevant screenshot says:

"Transferring funds to another ISA with Virgin Money is not permitted online."

Please note should you choose to transfer your funds to a Virgin Money account which is not an ISA, you will lose the tax-free status on those funds. Transferring funds to another ISA

with Virgin Money is not permitted online therefore you must complete a Transaction Request form."

The Transaction Request form is a hyperlink and displayed in a different colour.

Mrs W said she felt this information didn't apply to her situation because she'd previously been told the account needed to be administered online. But I consider the information Mrs W was seeing should have put her on alert. Even if Mrs W did not click on the Transaction Request form to see that it was different to the declaration form she had completed, it clearly and prominently states twice that transferring funds to another Virgin Money ISA is not possible online. It also warns that moving money to a Virgin Money account which is not an ISA will result in the loss of the tax-free status on those funds. I think Mrs W should have recognised this information as being highly relevant to her in that moment. I'm unable to fairly hold Virgin Money responsible for an assumption it was unaware that Mrs W had made.

I'm also mindful that nothing in the product name or confirmation literature that Mrs W was sent mentioned or suggested that the fixed rate e-bond was an ISA. Although I can see that Mrs W had previously held a cash ISA fixed rate bond, I don't think Virgin Money did anything to give her the impression that the new fixed rate e-bond she had selected was also an ISA.

Whilst I do understand Mrs W's disappointment that her savings no longer have the tax-free status she had built up, I don't consider Mrs W's mistaken belief that she'd moved the funds into a new fixed rate ISA was due to any wrongdoing on Virgin Money's part. I think Virgin Money did enough to highlight both the implications of moving money outside of an ISA and the fact it was not possible to transfer to another Virgin Money ISA online and it was ultimately Mrs W's decision to continue. As such, I am unable to fairly or reasonably require Virgin Money to take responsibility for the tax Mrs W may now be liable for when it hasn't made a mistake or done anything wrong.

My final decision

My final decision is that I do not uphold Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 2 February 2026.

Claire Marsh
Ombudsman