

The complaint

Mr J complains that Scottish Widows Schroder Personal Wealth Limited ('SPW') failed to inform him that he could reinvest the £180,000 withdrawal monies he took from his investment ISA back into the plan within the same tax year.

To put things right, Mr J would now like SPW to compensate him for the lost tax-free status of the £180,000.

What happened

On 4 August 2022, Mr J contacted SPW to withdraw £180,000 from his investment ISA to fund a property purchase. The funds were raised on 5 August 2022 and sent to Mr J via BACS on 16 August 2022. Mr J confirmed that he was in receipt of the monies on 19 August 2022. Mr J complained to SPW shortly afterwards and in summary he explained that the withdrawal took longer than expected. After looking at Mr J's concerns, SPW said in summary that the withdrawal had been undertaken within the 10 working day timeframe and as such, they didn't uphold his complaint.

In March 2024, Mr J raised a further complaint with SPW after a capital gains tax (CGT) liability was incurred after he'd withdrawn some further monies from his ISA. The CGT charge came about because his monies were managed at a whole-portfolio level, which meant when he withdrew from the ISA, this triggered a re-balance within his GIA that resulted in sales, causing a CGT liability. SPW upheld Mr J's complaint and agreed to pay him £2,900 to cover the CGT liability.

In September 2024, Mr J contacted SPW again, raising further concerns. In summary, he said that he was unhappy because:

- SPW had recommended that they meet him in a branch, rather than his home.
- The December 2022 complaint wasn't upheld as he'd not received the monies in time to purchase the property he wanted and as a result, he'd incurred legal fees.
- He wasn't informed of the CGT implications of the earlier ISA withdrawal on his wider portfolio.
- He wasn't able to re-invest the ISA monies that he'd withdrawn in August 2022 using the flexible ISA rules.

After reviewing Mr J's complaint, SPW concluded they were satisfied they'd done nothing wrong. They also said, in summary:

- A branch appointment was offered but subsequently declined, so the adviser travelled to Mr J's home where the meeting took place.

- The delay in receiving the monies in August 2022 and the CGT issue had already been addressed with their earlier complaint responses.
- In 2022, Mr J's ISA wasn't originally a flexible ISA; it only became a Flexi ISA from 3 March 2023. Had Mr J told them at the time of his withdrawal that he wanted to reinvest the funds, then they said they would have advised him about this change.

Mr J was unhappy with SPW's response, so he referred his complaint to this service. In summary, he said that he was unhappy about the time it had taken to send him the ISA monies in August 2022. Mr J explained that he'd missed out on being able to purchase the property he'd wanted and as a result of the delays, he'd incurred legal fees. Mr J went on to say that it will take him nine years for the capital to be transferred back into his investment ISA. In addition, he had missed out on any stock market growth in that period too as the monies have been sat in various taxable interest-bearing cash accounts since. Mr J said that SPW should have informed him that the plan was a flexible ISA, so he could have put his monies back into the investment before the end of the tax year.

The complaint was then considered by one of our Investigators. He concluded that SPW hadn't treated Mr J unfairly because they'd written to him in August 2022, explaining that their ISAs were being altered to the flexible version, allowing customers to reinvest monies back into the same plan before the end of the tax year.

Mr J, however, disagreed with our Investigator's findings. In summary, he said that he'd never received a letter from SPW informing him of the flexible ISA changes and as such, he never knew that was even an option at the time. In addition, Mr J said that he'd have expected his adviser to recommend the monies be reinvested into the ISA as he was aware that the property sale had fallen through and the funds were no longer required. Mr J also went on to say that his relationship with his SPW adviser had deteriorated to such a low point at that time (as a result of the complaint), that his adviser wouldn't communicate with him. Given he pays SPW for an ongoing service, Mr J said that he would've expected them to have contacted him to discuss what his plans were for the monies.

Our Investigator was not persuaded to change his view as he didn't believe Mr J had presented any new arguments he'd not already considered or responded to. Unhappy with that outcome, Mr J then asked the Investigator to pass the case to an Ombudsman for a decision.

After carefully considering what both parties had to say, I decided to issue a provisional decision on the case because whilst I was minded to reach the same conclusion as that of our Investigator and not uphold Mr J's complaint, I wanted to do so for different reasons. This window of time gave both parties the opportunity to provide any final comments that they wished for me to consider before I reached a final decision.

What I said in my provisional decision:

I have summarised this complaint in less detail than Mr J has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

Mr J clarified in his email to our Investigator on 14 September 2025, that the core reason he referred his complaint to this service was because the funds raised from his SPW ISA in

August 2022 could have been reinvested back into the plan before 5 April 2023, so that will be the focus of my decision rather than the time SPW took to pay Mr J his ISA withdrawal monies or the fact that there was a CGT charge.

My role is to consider the evidence presented by Mr J and SPW in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm not planning on upholding Mr J's complaint - I'll explain why below.

Before I do, I think it would be helpful to provide some broad context about flexible ISAs, which is the crux of Mr J's complaint. Under HM Revenue and Customs (HMRC) rules, a flexible ISA allows investors to withdraw funds and subsequently replace them within the same tax year without this replacement counting towards their annual subscription limit. The flexibility applies to both the capital originally subscribed and any investment growth, provided the repayment is made before the end of the tax year (so, 5 April). This means that where monies are withdrawn, for example, the £180,000 in August 2022, Mr J retained the right to return up to the same amount into the plan before 5 April 2023, in addition to any new subscriptions permitted under the annual ISA allowance.

The annual ISA subscription limit for the 2022/23 tax year was £20,000, a figure that has remained unchanged since 2017/18, meaning that any replacement of withdrawn funds under the flexible ISA rules operated entirely separately from this allowance. The purpose of the framework was to ensure that temporary withdrawals don't permanently erode the tax advantaged status of the funds, provided they are reinstated within the prescribed timeframe.

The flexible ISA rules were introduced in 2016, and from what I've seen, SPW's investment ISA offering didn't adopt the flexible features until 3 March 2023, giving investors 33 days to return any withdrawals. But, despite the relatively short window available to replace any withdrawals, SPW wrote to all their customers, highlighting this new feature. Whilst Mr J states that he doesn't recall ever receiving SPW's letter, I think on balance it's more likely than not that it was sent. I say that because even though SPW don't have a copy of the letter that was sent to Mr J (as it was undertaken via a bulk mail merge), they have provided a copy of the letter template itself showing what was issued to all their customers at the time. And, given that Mr J is still residing at the same address now as he was living at when the letter was sent, I can't see any reason why it wouldn't have been received and SPW haven't suggested the account was subject to any returned mail /gone away markers.

I've also thought carefully about what Mr J has told our Investigator in response to his initial view of his complaint. Mr J explained that because he was paying for an ongoing service, he would've expected his financial adviser to have informed him about the new flexible ISA functionality on his plan as part of the service provided. So, I asked SPW to provide me with details of the reviews that their adviser undertook in 2022 and 2023 to understand what was agreed with Mr J during their discussions about the withdrawal.

SPW stated that an annual review meeting should have taken place at some point in November 2022, but was cancelled due to their adviser being unwell. However, a review meeting with Mr J did take place on 3 May 2023 at 9:30am, where his mother was also in attendance. In that meeting, the adviser completed a fact-find document, where he updated Mr J's financial circumstances since their last meeting some 17 months earlier. On page 18

of the fact-find, within the 'Recent changes' section, it states: *"Raised £180k from ISA in September 2022 – May purchase a property locally to rent out"*.

Following the meeting, the adviser then issued a letter to Mr J on 3 May 2023, summarising their discussions. Within the 'Your current circumstances' section on page 5 of the letter, it states *"Since we last met on 1/12/2021 your circumstances are unchanged other than you did raise funds from your Fusion Wealth ISA to purchase a new rental property which is still within your plans"*. And, on page 8 of the annual review letter, it goes on to say within the 'My recommendation for holding cash' section:

- *"£180,000 to cover your planned capital expenditure over the next 5 years, which we discussed the reasons for. I have taken this planned expenditure into account in my advice.*
- *Having £67,000 in cash savings, having set aside £25,000 as an emergency fund and £180,000 to purchase an additional rental property is sufficient for your short term requirements."*

It therefore seems clear to me that a discussion about Mr J's plans for the £180,000 ISA withdrawal monies took place in that meeting. Whilst at that point, it would've been clear that the original house purchase had fallen through, it's evident that Mr J still intended to acquire another property in the short term and as such, in my opinion, it would've been inappropriate for the adviser to recommend the reinvestment of those monies back into a stock market based investment. In addition, I've not seen any evidence to suggest that following that meeting, Mr J contacted the adviser to state that he disagreed with the contents of what was set out in the May 2023 letter.

A further annual review meeting also took place in August 2024. I've looked at the letter that was issued to Mr J following that interaction and whilst there's no mention of any plans to purchase another property, it does state that he wishes to retain the same level of cash on deposit as previously agreed the year before as *"You are unsure of what might be needed in the short term"*.

As Mr J's complaint to SPW in December 2022 related to their delay in issuing the £180,000 withdrawal to him, I wanted to understand whether he had explained to them that it was no longer his intention purchase a property in the future. So, I asked SPW to review the telephone calls that were held with Mr J following the withdrawal. SPW have explained that there was no evidence from the telephone calls that they were advised by Mr J that he had no longer any plans to buy another property. But in any event, only a month after the end of the tax year, Mr J confirmed to SPW's adviser that he still planned to buy another rental property. So, I think even had Mr J known about the flexibility option on his ISA back in 2022, his stated intention to buy another property meant it unlikely, in my opinion, that he would've reinvested the £180,000 back into the plan at that time.

For me to be able to uphold Mr J's complaint, I'd need to be satisfied that he made clear to SPW that he had no intention of purchasing another property in the near term and the £180,000 was surplus to his requirements, but that threshold hasn't been met. I'm satisfied that whilst Mr J's original intended property purchase had fallen through (and SPW were aware of that fact, given his complaint to them about the delay in issuing the funds), it was always his intention to buy another suitable property should the opportunity arise and that's evidenced in the discussion about his short and medium term plans for the monies which took place with the adviser where he expressly set out his desire to acquire another house. It would've therefore been inappropriate for the adviser to recommend the reinvestment of those funds back into the ISA. And, in any event, as I've already explained, SPW had

previously informed their customers that their ISA offering was moving to a flexible arrangement and that funds could be reinvested if they wished.

I do appreciate Mr J's frustration at having missed out on any investment growth by not having his funds invested in the stock market, but it was his choice to retain the £180,000 in cash so I'm not going to instruct SPW to recompense him.

In his email to this service on 23 August 2025, Mr J has made reference to the fact that he never received an ongoing service from his SPW adviser; that's despite paying them fees for that service. To be clear, I have not treated that comment as a complaint point, that's because in order to do so, Mr J would initially need to raise that concern with SPW first and allow them to provide a response.

Responses to my provisional decision:

In response to the provisional decision, Mr J said, in summary:

- He had enough money in the portfolio to purchase a property and put it back into a flexi ISA.
- He pays SPW a management fee to invest and create the most tax efficient portfolio.
- He never received their letter regarding reinvesting back into a flexi ISA. It could be because he has two postcodes and as a consequence, several letters have been lost over the years.
- His dedicated manager had had health problems, therefore he did not do his job properly so SPW should have transferred him to somebody else.
- He has lost the £180,000 ISA tax free status because of SPW's incompetence. He'd have made use of the flexi ISA option had he known.
- His normal adviser was in hospital for over 6 weeks where no one was looking after his account.

After reviewing what I had to say, SPW explained that they accepted the provisional 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.

For the avoidance of any doubt, I should repeat that this decision focuses solely on whether SPW should compensate Mr J for the lost ISA tax-free status of £180,000. Other issues raised, such as delays in payment and CGT charges, have already been addressed and are outside the scope of this decision

I appreciate Mr J's frustration at missing out on potential investment growth and understand why he feels disadvantaged. However, based on the evidence, I cannot conclude SPW acted unfairly and I'll explain why.

I don't think that there's any dispute Mr J is paying SPW a management fee to look after his monies and from what I've seen, in the period in question, a review was undertaken and discussion occurred about his plans for the withdrawn ISA monies after the original property purchase had fallen through. The file notes from May 2023 clearly evidence that it was always Mr J's intention to continue with another property purchase, despite missing out on the original house he wanted. Even in August 2024, the file evidences, Mr J's desire to retain a large cash balance, rather than any desire to explore reinvesting the funds.

While I acknowledge Mr J's point about having two postcodes, I do not consider this materially changes my assessment. I've already explained that I'm satisfied SPW's letter was sent and whilst Mr J says he didn't receive it, I think on balance, even if he did receive it, given he still planned to buy another property, he'd have likely not taken any further action.

I do appreciate that it must have been inconvenient not having a nominated adviser during the small window of time (due to illness), but Mr J was still able to either telephone or write to SPW in the interim if he needed any assistance.

As I've not been presented with any new evidence that's made me change my mind, it therefore follows that I've reached the same conclusions for the same reasons that I set out in my provisional decision above.

My final decision

I'm not upholding Mr J's complaint and as such, I'm not instructing Scottish Widows Schroder Personal Wealth Limited to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 16 January 2026.

Simon Fox
Ombudsman