

The complaint

Ms W complains about the service she received from Paragon Bank Plc (“Paragon”) when transferring her Lifetime ISA (“LISA”) out to another provider (“X”). In particular, Ms W is unhappy about the delays in receiving the £1,000 bonus payment.

What happened

On 8 October 2024 Ms W requested a transfer of her LISA from Paragon to X. X received the funds from Ms W’s LISA on 14 October along with the Transfer History form (THF) – the form required under LISA rules for the receiving ISA provider to submit to the HMRC. Paragon confirmed that it had claimed the £1,000 bonus from the HMRC and would transfer this once received.

Unfortunately, for reasons that are unclear because the bonus was requested the same day as the transfer of funds was made and Ms W’s account with Paragon closed, when the bonus funds were received by Paragon there was no account to allocate the funds to and they were returned on 17 October.

On 20 November X requested confirmation from Paragon on when the bonus would be transferred and sent chasers by email on 11 and 27 December.

Paragon responded to this through a new email thread on 28 December confirming that the £1,000 bonus wasn’t held with them having been returned due to not being able to allocate the funds into a closed account.

X says as this response didn’t include Ms W’s account details X says it wasn’t able to attribute this message to her account with it and so rather than requesting an updated THF, it sent a request for confirmation of the customer’s name or NI number to allow it to identify the account.

Paragon chased X on 4 February for an update and again confirmed the bonus funds had been returned. At this point X say this was the first time it became aware of the issue of the bonus funds being returned and X having to claim them. X says as Paragon didn’t provide it with an updated THF - which is required in order for it to claim the LISA bonus – it wasn’t able to do this.

Following this X requested on multiple occasions an updated THF showing it was to claim Ms W’s bonus. Paragon responded on 31 March by re-sending the same THF previously provided which stated it had claimed the £1,000 bonus and were still due to transfer this to X.

X sent a request for an amended THF on 2 April showing X was to claim the LISA bonus. Paragon provided the updated THF on 6 April, but for reasons that are unclear X wasn’t able to automatically match it to Ms W’s account until 9 May at which point it updated the transfer information and submitted the claim for the £1,000 bonus.

The bonus was then paid into Ms W’s LISA with X on 27 May.

Ms W complained to Paragon about the delays experienced. Paragon accepted that it should have contacted Ms W and advised her the bonus request had returned a failed message and that X would now need to request it. Paragon agreed the service provided wasn't as good as it should've been and in recognition of this sent Ms W a cheque for £50.

Ms W was dissatisfied with this and so brought her complaint to this service. Ms W says the delay in payment of the bonus led to a delay in purchasing her first property and lost interest on the £1,000 and wants to be compensated for this and the time spent in sorting the matter out.

Following this Paragon agreed it could've been more proactive with sending the updated THF to X and offered further compensation bringing the total compensation to £150 in settlement of this. But due to some confusion around the total amount of compensation on offer Ms W rejected this as she believed the further offer of compensation should be £150 on top of the £50 already paid. Following this and due to the confusion Paragon agreed to increase its offer bringing the total compensation including what has already been paid to £170.

One of our investigators looked into Ms W's concerns and thought that the delays were caused by both Paragon and X. They thought that Paragon should've been clearer with X around the payment of the bonus. But thought as the onus of an ISA transfer is on the new provider that X should've recognised the bonus was to be requested by it and not Paragon. They thought both Paragon and X could've been more proactive in sending and requesting the updated THF and that Paragon had failed to keep Ms W up to date. Taking this all into consideration they thought the £170 offered in by Paragon in total fairly compensated Ms W for the level of service received from Paragon.

Ms W remained unhappy and believes Paragon to be solely responsible for the delays and has asked for an ombudsman's 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.

Firstly, I need to be clear that my decision only covers the service Ms W received in the transfer of her LISA with Paragon and the payment of the £1,000 bonus. Any complaint points raised after or outside of this Ms W will need to raise separately with Paragon before bringing them to this service.

It might help if I explain my role rather is to look at problems that Ms W has experienced and see if Paragon has done anything wrong or treated her unfairly. If it has, I'd seek to put Ms W back in the position she would've been in if the mistakes hadn't happened. And I may award compensation that I think is fair and reasonable.

In this case it's not disputed that something went wrong in the transfer of Ms W's LISA and the £1,000 bonus payment to X. What is in dispute is how much responsibility Paragon should take for this and what if anything it needs to do to put things right for Ms W. And having considered everything carefully I'm in agreement with our investigator that the total compensation Paragon have agreed to pay to settle Ms W's complaint (£170) is fair.

Having looked at all the evidence, I think mistakes have been made on both Paragon and X's side which led to the delay in the claim and payment of the £1,000 bonus. I accept that Ms W believes that Paragon is mainly responsible for this – and that may well be the case.

But looking at all the information provided, I don't think there is enough to say exactly how much responsibility Paragon should take for the delay in the payment of the bonus.

I think that the initial delay in the payment of the bonus was likely due to a procedural failing at the outset and that Paragon should've done more and let both Ms W and X know that the bonus funds had been returned and been clearer about what needed to happen moving forward. But given it was X - as the new LISA provider and the one holding the funds - responsibility for the transfer, I don't think it would be fair to let it absolve itself of all responsibility.

I think both parties were reactive sending unnecessary duplicate emails, failed to respond at times to each other and should've been more proactive in investigating what the issue was and requesting and sending the amended THF so the bonus could be collected.

But ultimately, I don't think working out exactly where each party went wrong matters, as I don't think it will make a material difference to the overall outcome as the bonus has now been received and my role here is to decide if what Paragon have offered to do for Ms W is a fair way to settle her complaint, rather than to punish Paragon for its mistakes.

Usually in situations such as this when there has been a mistake made on the business's behalf, we try to put the customer back in the position they'd be in if the mistake hadn't happened. But sometimes this isn't practical and so we look to alternative ways of putting things right.

And this is a case in point. Ms W says as a direct result of the delays in the transfer and receipt of the bonus payment she experienced delays in the purchase of her first property and lost interest. But for the reasons I've explained above, I don't think it would be practical or possible to work out exactly what interest Ms W has lost out on as a direct result of Paragon's failings. And although I appreciate Ms W may have experienced some issues regarding the purchase of her property, I simply haven't seen enough to show me this was as a direct result of Paragon's failings or the delay in receiving the £1,000 bonus. There are many factors that can and do lead to delays in property purchases.

However, Ms W has been caused some distress and inconvenience in not knowing when the bonus would be paid and having to chase both Paragon and X to find out what was happening. But as explained above my role isn't to punish Paragon for the mistakes it has made and as I'm not persuaded further compensation above what is on offer would make a material difference to Ms W's situation, I think the £170 total Paragon have offered to compensate Ms W is fair. Ms W has now received the bonus, and I calculate £170 compensation on offer as more than enough to cover any interest she might have earned.

And so it follows that I think what Paragon have offered to do to settle Ms W's complaint is fair and I'm not going to ask it do anything more.

My final decision

For the reasons I've explained, I think the total compensation of £170 Paragon Bank Plc have offered to settle Ms W's complaint is fair. I direct that Paragon Bank Plc now pay the outstanding amount of £120 to Ms W if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 10 February 2026.

Caroline Davies
Ombudsman