

The complaint

Mr W complains about Close Brothers Limited trading as Close Savings. Mr W is unhappy with Close Brothers' handling of his request to close his ISA account within the 14-day cooling off period.

What happened

Mr W opened a five-year ISA with Close Brothers. The account was opened on 28 October 2024 with a 14-day cooling off period in which Mr W could close the account without incurring a penalty fee.

Mr W emailed Close Brothers on day 13 of the cooling off period and said "*I have decided to utilise the 14 day cooling off period to cancel my 5 year ISA with you. Please let me know what my options are now. Thank you*".

Close Brothers replied to Mr W the next day, this was the final day of the cooling off period. Close Brothers didn't close the account and instead asked Mr W what he'd like to do with the funds in the account.

Mr W didn't know Close Brothers hadn't closed the account and he replied a few days later to ask questions about his options. Over the next few days there was back and forth between Close Brothers and Mr W about his options.

One of the options Close Brothers offered was for Mr W to transfer his funds into a new ISA. So, on 27 November 2024 Mr W opened a one-year ISA with Close Brothers and requested the funds be transferred there.

Close Brothers incorrectly told Mr W he was outside the 10-day funding window so he would incur a £28,000 penalty for transferring his funds to the new ISA.

Mr W was unhappy about this, he queried it and asked Close Brothers to review the matter. Close Brothers then explained it should have said the transfer request had been made outside the 14-day cooling off period so a penalty fee would apply.

Mr W said he'd already given notice for the account to be closed, so no penalty fee should apply, and he made a complaint. Close Brothers then said it had made a mistake, and the penalty charge was £2,800 not £28,000.

Mr W reiterated no penalty was due as he had given notice in the 14-day period. Close Brothers sent its final response to Mr W's complaint on 9 December 2024.

Close Brothers said Mr W had "*mentioned*" cancellation on day 13 but he had also asked for his options "*if he were to cancel*". Close Brothers said it had explained on day 14 that the cancellation would lead to funds being sent to Mr W's nominated bank. Or alternatively it could transfer the funds into another Close Brothers product.

Close Brothers said because it didn't clarify exactly what Mr W's instructions were within the

14-day cooling off period he would have to pay an early exit charge of £2,800.

Close Brothers didn't uphold the cancellation dispute, but it did award £50 compensation for mistakenly telling Mr W the penalty fee was £28,000.

Mr W referred the complaint to our service. Close Brothers then offered to resolve the complaint by paying £150 compensation, but Mr W remained unhappy.

Our investigator didn't uphold the complaint. She said Mr W didn't give specific cancellation instructions within 14 days. She said it would have been helpful if Close Brothers had explained Mr W needed to respond that day when it replied on day 14. But she believed Mr W still had sufficient time to respond to Close Brothers the same day.

Mr W didn't accept this. He said he'd made the decision to cancel and sent notice of this to Close Brothers in the appropriate timeframe. He said what happened after notification was given and the ISA was cancelled was a separate matter. Mr W said he gave notice to cancel within the cooling off period and so as far as he was aware he had no need to hurry at that point.

Because Mr W didn't accept our investigator's findings the complaint has been passed to me, an ombudsman, for a decision.

In my recent provisional decision, I said:

"I'll briefly start by addressing the date the account was opened. Mr W has said the account was opened on 18 September 2024. An email from Close Brothers on 18 September 2024 says the ISA is now open and asks that deposits are made in the next ten days. Another letter on 28 October 2024 then says the ISA opened on 28 October.

It's unclear precisely what happened between 18 September 2024 and 28 October 2024. It's possible funds didn't clear into the account until 28 October 2024 and that's why the account wasn't strictly opened until that date. It's possible on 18 September 2024 the application was processed and the account opened to allow funds to enter but not actually opened with funds in it that could start accruing interest.

I think it's fair to say, what is clear, is that the 14-day cooling off was deemed as commencing on 28 October 2024.

If any issues or delays occurred in relation to the account being open Mr W will need to raise those concerns to Close Brothers for it to consider as I can't see it's been complained about nor formed part of this complaint.

The terms and conditions for the five-year ISA product say "once we have accepted your application, you have a 14 day cooling off period where you can close the account and have the money returned to your nominated bank account, without incurring a penalty charge for early closure. Please note, interest accrued will not be paid if closed within the 14 day cooling off period. Please contact our Customer Services team if you wish to discuss further."

I think this section is clear in saying Mr W had 14 days to close the account and have the money returned to him. And any interest accrued up to that point wouldn't be paid if the account was closed within the cooling off period. And to exercise his right to cancel he had to contact the customer service team – which I understand he did.

I think it's fair to say, for Close Brothers to have acted in line with the terms and conditions it

should have closed Mr W's account when he gave notice and returned the funds to his nominated bank account. Instead, Close Brothers received Mr W's cancellation notice and gave him options to consider.

I've carefully considered Mr W's email to Close Brothers on day 13 of the cooling off period. And I'm satisfied this email gave Close Brothers appropriate notice to cancel Mr W's ISA.

I think Close Brothers have unreasonably misinterpreted Mr W's cancellation email. At no point did Mr W ask for his options "if he were to cancel" as Close Brothers have put it. And I don't think it's reasonable to say Mr W "mentioned" cancellation.

Instead, I think it's fair to say the entire context and intention of the email's contents were to inform Close Brothers Mr W had decided to cancel the account within the cooling off period.

So, I think Mr W's email is clear, he had decided to cancel the ISA within the 14-day cooling off period. And then he asked what his options are now.

I think from that point on Mr W was operating with the understanding that his ISA had been cancelled and he was discussing the options with Close Brothers going forward. And I think it's important to note Close Brothers never corrected that understanding until after the cooling off period had passed.

I think Close Brothers had the opportunity to explain it hadn't acted on Mr W's instruction to cancel when it replied on day 14 of the cooling off period. And I think Close Brothers failed to clearly explain its position to Mr W. I think it should have explained he needed to give further instructions for what to do with the funds that day in order to close the account and avoid a penalty fee.

Close Brothers said the 14-day cooling off period had passed because it didn't clarify exactly what Mr W's instructions were. I understand Close Brothers hold Mr W responsible for not choosing his instructions for the funds within the cooling off period. I don't think that's fair. I think to take that position Close Brothers would have had to clearly explain to Mr W that the account wouldn't be closed until it had received his instructions for what to do with the funds. Close Brothers didn't do this.

In its reply to Mr W's cancellation notice Close Brothers said it can either send the funds to a bank or do an internal transfer to another ISA. And it ended by saying "please let us know what you would like to do so we can action this for you."

So, I think it's reasonable Mr W thought he'd effectively given notice to cancel his account. And Close Brothers were asking what option he would now like to go with so it could action that choice for him.

The Financial Conduct Authority's (FCA's) conduct of business (COBS) rule 15.3.1 refers to the right of cancellation. It says:

"If a consumer exercises his right to cancel he must, before the expiry of the relevant deadline, notify this following the practical instructions given to him. The deadline shall be deemed to have been observed if the notification, if in a durable medium available and accessible to the recipient, is dispatched before the deadline expires."

In line with COBS 15.3.1, I find that Mr W exercised his right to cancel the ISA before the expiry of the cooling off period and he gave notification in a durable medium despatched prior to the deadline.

So, I think Close Brothers should have allowed Mr W to cancel his ISA when he requested it. And it should have enabled Mr W to have the funds sent to a bank account of his choice or transferred into a new ISA. And I don't think it's fair for Close Brothers to charge a penalty fee based on Mr W not confirming what he wanted to do with the funds within the 14 days. Particularly given Close Brothers didn't explain to Mr W that to cancel his account he needed to choose where the funds would go.

As referenced earlier Close Brothers confirmed Mr W could transfer the five-year ISA into a new ISA. And this led Mr W to open a one-year ISA with Close Brothers on 27 November 2024 with the intention of transferring the funds there. The only reason Mr W didn't do this is because Close Brothers sought to enforce a penalty fee.

I think the fair outcome is for Close Brothers to apply the interest rate Mr W would have received with the one-year ISA from the date it was originally opened.

So, to put things right, for the entirety of the funds in the account, Close Brothers should apply the five-year ISA interest rate of 4% from the date the cleared funds were originally received, in line with the terms and conditions of the account. And this should be applied to 26 November 2024, the day before Mr W took out the new ISA.

Close Brothers should then apply the one-year ISA interest rate of 4.49% from 27 November 2024 to 28 November 2025 when that account would have matured. This ensures Mr W receives the outcome he would most likely have had if Close Brothers hadn't got things wrong and treated him unfairly.

Mr W has since taken out another ISA with a different provider who I'll refer to as 'N'. Mr W says the interest rate with N is 4% and to resolve this complaint he wants the funds transferred there. I think that's a fair outcome in the circumstances.

So, I think Close Brothers should enable Mr W to transfer his funds to the ISA he holds with N. The deadline to transfer funds into the ISA with N is 6 January 2026. So, Close Brothers will need to expedite this matter and ensure no penalty fee is applied for the transfer. And Mr W will need to expedite the transfer request via N.

Because Mr W's next intention is to put the funds into the ISA with N, Close Brothers should apply that ISA's interest rate of 4% from 29 November 2025 until the funds are transferred out.

My current understanding is Mr W doesn't wish to remain in the five-year ISA with Close Brothers. So, given the short timeframe involved here, if the 6 January 2026 transfer deadline isn't met for any reason - other than a delay caused by Mr W, Close Brothers should enable Mr W to transfer the funds to a bank account or another ISA of his choice without incurring any penalty fee.

Mr W told our service he thinks interest should have accrued from 11 October 2024 and the maturity date should be earlier in line with that date. Mr W says he complained to Close Brothers about when the interest should be paid from. And to evidence this Mr W sent our service an email he sent to Close Brothers on 8 November 2024.

Having read the email, I think it amounts to a query rather than a complaint. And I can see, during the emails with Close Brothers about cancelling his ISA, Mr W references this email and says his previous query about the maturity date is now irrelevant. I understand Mr W said it was irrelevant because as far as he was concerned, he'd now closed the account, and he was due to transfer the funds elsewhere.

So, overall, I think it's reasonable to say that email was a query rather than a complaint and Mr W withdrew the query. I can see Mr W raised concerns later with Close Brothers about the start date of the five-year ISA. However, from what I can see this was raised after the final response was issued, and so Close Brothers haven't addressed it as part of this complaint.

Before our service can consider a complaint, a business is entitled to do so. And so, if he wishes to Mr W can raise that complaint to Close Brothers for it to consider.

In relation to my findings and the award I make here, what I can say is that Close Brothers should act in line with the terms and conditions which means interest should be applied and begin accruing from the date the cleared funds were received.

Close Brothers increased the compensation award to £150. This was to address the distress and inconvenience caused by Close Brothers' errors in telling Mr W the penalty fee was £28,000 rather than £2,800. And incorrectly telling Mr W he would be charged a penalty fee because he was outside the 10-day funding window, rather than the cooling off period.

I think it's fair to say Mr W was understandably shocked and distressed to be told he'd need to pay any kind of penalty fee for closing the account. Particularly as he'd clearly given notice to close the account within the cooling off period. And I think it's fair to consider the distress and disappointment Mr W experienced was increased due to Close Brothers initially getting the penalty fee amount so wrong.

In conclusion, I think it was unfair and unreasonable for Close Brothers to not treat the cancellation notification as given within the cooling off period. I think this was an error and I think it caused distress, frustration and inconvenience to Mr W. And I think it also required a reasonable effort from Mr W to try and sort out. Overall, I think compensation of £250 is reasonable in the circumstances of this complaint and in line with our approach.

I understand Close Brothers have already paid £50 compensation. This means I currently think Close Brothers should pay Mr W a further £200 compensation to make it £250 in total."

Responses to my provisional decision

Mr W agreed with my provisional decision.

Close Brothers disagreed with my provisional decision. Close Brothers said Mr W had only provided notice of his intention to close his ISA within the cooling off period. But he didn't respond to its subsequent email to confirm his preferred option for the funds within the cooling off period. And Close Brothers said its process requires explicit confirmation about the options from a customer before closing an ISA.

Close Brothers said without instructions from Mr W about what to do with the funds it was unable to process the closure request within the cooling off period. And if Mr W had responded promptly Close Brothers would have waived the early exit charge and processed the closure in line with the cooling off period terms.

Close Brothers said it's standard industry practice to require customers to confirm their instructions about closing an ISA and the associated transfer options.

Close Brothers also pointed out Mr W didn't lose his ISA status because the funds remained in his account and it believed it was necessary to seek further clarification before processing Mr W's closure request.

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 considered what Close Brothers have said, and I don't think it changes my decision. I'll explain why.

Close Brothers have continued to refer to Mr W's email as giving notice of an intention to cancel. I still don't think this is a reasonable interpretation of Mr W's email. I'm satisfied Mr W's email amounts to a clear decision and instruction to cancel the ISA, not merely an intention to do so.

Close Brothers said before it can close an ISA its process requires explicit confirmation of whether a customer wishes to transfer to another ISA or have funds returned to a bank account. Close Brothers haven't provide any evidence to show this is its process, though I'm happy to accept it as such.

However, at no point did Close Brothers make this asserted process requirement clear to Mr W. Close Brothers replied to Mr W on the 14th and final day of the cooling off period and asked Mr W what he would like to do with the funds in the ISA. Close Brothers failed to explain it wouldn't cancel the ISA without those further instructions. And it didn't communicate any urgency or requirement regarding receiving further instructions that day in order to close the account. Close Brothers also didn't attempt to call Mr W; I think that would have been a reasonable and correct thing to do given the circumstances. So, I don't think Close Brothers did enough in this regard and I don't think Close Brothers position on this is fair.

That being said, even if Close Brothers had told Mr W he needed to respond with further instructions for the funds that day, I don't think that would make it fair for Close Brothers to charge an early exit fee nor to treat the cancellation notification as invalid.

I say this because I'm satisfied Mr W had provided his express notice to cancel the ISA within the cooling off period. And I'm satisfied he provided this notice in line with the COBS rules for cancellation rights as quoted above from my provisional decision.

Close Brothers referenced the cooling off period terms and conditions in its response to my provisional decision. Close Brothers said if Mr W had responded promptly, it would have processed the closure in accordance with those terms.

In relation to closing the account within the cooling off period the terms say:

"Once we have accepted your application, you have a 14 day cooling off period where you can close the account and have the money returned to your nominated bank account, without incurring a penalty charge for early closure. Please note, interest accrued will not be paid if closed within the 14 day cooling off period".

The terms don't say anything about having to give further instructions regarding what to do with the funds in order to close the account. All the terms say is you have 14 days where you can close the account, have the funds returned to your nominated bank account, and you won't be charged a penalty. And I'm satisfied Mr W gave notice to close the account within the 14 days - which is all the terms require.

So, I don't think it was fair for Close Brothers to refuse to treat Mr W's account as cancelled within the cooling off period. And I don't think there is anything in the terms and conditions

that says Mr W needed to give further instructions alongside his closure notification in order for it to be valid.

Close Brothers cited standard industry practice in its response to my provisional decision. However, in my experience financial firms involved in closing accounts within cooling off periods will accept a closure notification as valid if it is given within the cooling off period - irrespective of whether further instructions regarding what to do with the funds aren't given.

So, I don't recognise Close Brothers' position as being an evident standard industry practice. I think Close Brothers needed to be clear, well in advance, that it required instructions for the funds within the cooling off period in order to cancel the account. And again, Close Brothers should have explained its position to Mr W regarding how to effectively close his account, at the very least, when it replied to his closure email. Though I think it's fair to say it should likely be detailing a requirement like that in its terms and conditions if it wishes to hold this position.

Otherwise, without clear instructions within the terms for how to effectively cancel, anyone seeking to close an account on the final day of the cooling off period may not be able to - unless they also provide instructions for the funds. But there is nothing in the terms that says a closure notification must be sent with instructions for the funds. Without such clarification, it's reasonable to consider a customer wouldn't include further instructions within an account closure email.

This means someone could email Close Brothers on the final day of the cooling off period, saying they wish to close their account. And Close Brothers may not pick up that email till the next day, which would then be outside the cooling off period.

Based on Close Brothers position here, that closure notice would be invalid if it didn't contain further instructions for the funds. But Close Brothers terms and conditions do not state it requires people to give instructions for the funds alongside the closure notice. And neither do the relevant rules contained in COBS. So, I don't think Close Brothers stance in this complaint is fair.

I'm satisfied the potential loss of ISA status is fairly irrelevant to the outcome of this complaint. Close Brothers offered Mr W the option to invest into a new ISA product with it. And Mr W wanted to do this. But Mr W also said if the funds had transferred back to where they came from after he'd cancelled the ISA that would have been fine. I don't think the retention of the ISA status is a key component in this complaint nor does it change the outcome.

Mr W wanted to close the account. He gave notice to close the account. He then entered discussions with Close Brothers about what to do with the funds not knowing Close Brothers were not treating the account as closed within the cooling off period. The loss or retention of the ISA status does not supersede the crux of the complaint which is about whether the account should have been treated as closed within the cooling off period. And I think it should have been.

Nothing Close Brothers have said persuades me the outcome I reached in my provisional decision is incorrect or unfair. For the reasons given here, and in my provisional decision, I'm satisfied the original outcome I reached is fair and I see no reason to change it.

And so, my provisional decision becomes my final decision.

My final decision

I uphold this complaint.

I require Close Brothers Limited trading as Close Savings to:

- Pay Mr W £250 compensation in total. I understand £50 has already been paid, so Close Brothers should pay a further £200 to make it up to £250.
- Allow Mr W to transfer the funds out of the five-year ISA and into another ISA or nominated bank account of Mr W's choice without incurring any penalty fee or early exit charge. Close Brothers should take whatever steps are required to ensure no penalty fee or charge is applied in all circumstances.
- Apply 4% interest to the funds up to 26 November 2024. And 4.49% interest from 27 November 2024 to 28 November 2025. And 4% interest from 29 November 2025 until the funds are transferred out and the account closed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 February 2026.

Gordon Candlish
Ombudsman