

The complaint

Mr P complains that National Westminster Bank Plc did not properly apply interest to his fixed rate Individual Savings Account (ISA).

What happened

In April 2023 Mr P opened a 2-year fixed rate ISA with NatWest. The account would pay interest at 4.3% a year, from the date on which the account was opened – that is, the date on which funds were paid into it. Interest would be applied annually on 1 April. The account would mature on 12 June 2025 and the funds made available the following day.

Mr P complained at the time he opened the account that he had not received an access code, which he needed to operate the account, until some weeks after his application. He was therefore unable to pay money into it until 23 May 2023 and had lost interest as a result. He made a payment of £20,000 on 23 May 2023.

At the time, the bank acknowledged there had been a delay in sending Mr P the code, but it initially noted that this would not have prevented him from making a payment into his ISA, since he had the sort code and account number. After he referred the matter to this service, however, it offered to make an adjustment of £122.74, which it said it would credit to the account. Mr P accepted that offer and the complaint was settled without the need for this service to issue a preliminary assessment or final determination.

However, when the account matured in June of this year, Mr P said that no adjustment had been made, contrary to the bank's agreement. NatWest said that it had and provided a copy of the confirmation it had sent Mr P in July 2023.

Mr P disputed that and referred the matter to this service. One of our investigators considered what had happened and concluded from the bank's confirmation and from its internal notes that the adjustment had indeed been made. Mr P provided his own calculations which he said showed it had not. He asked that an ombudsman review the case.

I did that and concluded that the bank had not, after all, made the adjustment which it said it make when settling the 2023 complaint. I concluded that NatWest should pay Mr £122.74, together with interest at 8% a year from 13 June 2025 until payment.

Mr P did not think that was sufficient to resolve his complaint. He said that he should have received the adjustment as a payment in April 2024, not as an adjustment added at the maturity of his ISA. Alternatively, it should have been added to the account balance in April 2024, so interest should be calculated from that date.

Mr P also said that he had suffered significant distress and inconvenience and should receive a further payment in recognition of that.

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.

My starting point here is the settlement reached to resolve the 2023 complaint. Unless there is a good reason not to do so, such agreements should be put into effect. It would not generally be fair for either party to seek to reach a different agreement.

The agreement which Mr P reached with the bank in this case was that an adjustment would be made to the balance of the ISA. The terms of the ISA said that funds would only be made available on maturity, so it follows that Mr P has only been deprived of £122.74 from 13 June 2025 – not from April 2024 or any other earlier date. It is therefore fair that the bank pay interest from the maturity date.

Mr P says too that, because the settlement sum was not added to the ISA, he cannot reinvest it in an ISA wrapper. Put another way, his annual ISA allowance will always be £122.74 less than it would otherwise have been. I think that is probably correct, but the overall impact of having to pay tax on any interest which that sum might earn in the future is impossible to calculate with any certainty. There may be none at all, but on any basis it will be very small.

I note what Mr P has said about the impact on him of having to pursue this matter. I have considered carefully whether any additional compensation is merited in respect of that but have concluded that the award I proposed in my provisional decision is fair in all the circumstances.

My final decision

For these reasons, my final decision is that, to resolve Mr P's complaint in full, National Westminster Bank Plc should pay him £122.74, together with interest on that sum at 8% a year from 13 June 2025 until payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 18 February 2026.

Mike Ingram
Ombudsman