

complaint

Mrs F complains that National Savings and Investments did not tell her when it reduced the interest rate on her savings account.

background

Mrs F deposited a substantial amount into her NS&I account in February 2011. The interest rate at that time was 1.75%. The interest rate was reduced on 25 January 2012 to 1.50%. Mrs F was not told about the reduction but became aware of it some time later and phoned NS&I in August 2013. It wrote its final response to her in September 2013. She was not satisfied with its response so complained to this service.

Following the adjudicator's involvement, NS&I offered to pay £50 to Mrs F to compensate her for the distress and inconvenience that she had been caused.

Mrs F did not accept its offer and asked for her complaint to be considered by an ombudsman. She says, in summary, that NS&I did not inform investors of any changes in interest rates on their accounts or of other accounts to which they might wish to transfer their money.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mrs F and to NS&I on 31 March 2015. In my provisional decision I said as follows:

"NS&I has voluntarily agreed to comply with the Banking Conduct of Business Sourcebook which says that a consumer should be given reasonable notice if the change to the rate of interest on their account is material and to the customer's disadvantage. Those rules also say that, in determining whether a change is material, regard should be given to both the balance of the account and the size of the rate change.

A substantial amount was transferred to Mrs F's NS&I account in February 2011 when the rate of interest was 1.75%. NS&I reduced that rate to 1.50% on 25 January 2012 but did not tell Mrs F about the change. It sent her an account statement for the period 6 April 2011 to 10 April 2012 which said: *"You are currently earning 1.50% gross/AER"*; which was in bold and underneath that it said: *"This interest rate has been effective since 25 January 2012"*. NS&I says that the statement was sent to Mrs F in April 2012 but has not been able to specify the date that it was sent.

Mrs F says that she did not notice the reduced rate of interest at that time but that she became aware of it in August 2013 when she phoned NS&I. In its response to her, NS&I told Mrs F that the interest rate on her account would be reducing to 1.10% on 12 September 2013 and she transferred most of the money from that account to a different NS&I account in August 2013.

I consider that the January 2012 interest rate change was a material reduction in Mrs F's circumstances and that NS&I failed to give her the appropriate notice required by the Banking Conduct of Business Sourcebook. I consider that Mrs F should have become aware of the change when she received the account statement for the period ending 10 April 2012. I consider it to be more likely than not that, had

she become aware of the interest rate change at that time, she would have moved her money to a different account then”.

Subject to any further representations by Mrs F or NS&I, my provisional decision was that I was minded to uphold this complaint. I considered that it would be fair and reasonable for NS&I to pay to Mrs F the difference between the interest that it paid on her account for the period from 25 January to the end of April 2012 and the interest that it would have paid over that period if the interest rate had been 1.75% (and that it should pay interest on that amount). I also considered that these events would have caused Mrs F to suffer distress and inconvenience and that NS&I should also pay £200 to Mrs F to compensate her for that distress and inconvenience.

NS&I has responded to my provisional decision and says that NS&I followed the British Bankers' Association guidance which says that, for an account balance of £500 or more, a change to a savings rate should be considered to be material where the rate falls by more than 0.25% in a single movement. It says that the Direct Saver fell by exactly 0.25%. It also says that although NS&I informed Mrs F of the rate change in April 2012, she did not move the funds to Income Bonds until August 2013.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I am not persuaded that I should change my provisional decision.

I find that the Banking Conduct of Business Sourcebook (with which NS&I had agreed to comply) says that Mrs F should have been given reasonable notice of the change to the rate of interest on her account because it was material – having regard to the balance of the account and the size of the rate change - and to her disadvantage. I consider that Mrs F should have become aware of the lower rate of interest in April 2012.

my final decision

For these reasons, my decision is that I uphold Mrs F's complaint. In full and final settlement of it, I order National Savings and Investments to:

1. Pay to Mrs F the difference between the interest that it paid on her account for the period from 25 January to 30 April 2012 and the interest that it would have paid if the interest rate had been 1.75%.
2. Pay interest on that amount at an annual rate of 8% simple from the date of payment to the date of settlement.
3. Pay £200 to Mrs F to compensate her for the distress and inconvenience that she has been caused.

If NS&I deducts tax from the interest element of my award, it should send Mrs F a tax deduction certificate when making payment. She can then use that certificate to reclaim the tax if she is entitled to do so.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs F to accept or reject my decision before 20 August 2015.

Jarrold Hastings
ombudsman