

The complaint

Mr V complains about Tesco Personal Finance PLC trading as Tesco Bank's mishandling of a transfer of funds from an ISA he held with another provider to Tesco's ISA.

What happened

Mr V requested a partial transfer of £7,000 from his instant access ISA to a Tesco Fixed Rate ISA. He said he provided clear written instructions on Tesco's ISA Transfer Authority Form and by phone. However, Tesco requested a full transfer (£11,802.09) meaning his existing ISA was closed without his permission, which he discovered from his account.

Mr V said Tesco admitted its error and contacted his existing ISA provider who said the transaction couldn't be reversed. Mr V said this meant his entire balance was in the Tesco ISA. The partial transfer Mr V requested was from previous tax years and he wanted to contribute more money for the current tax year's allowance. After several calls Mr V said Tesco transferred the excess amount to its Instant Access ISA (at a lower interest rate than his previous ISA) and offered him £25 for loss of interest.

Mr V said he was very distressed that his instructions hadn't been followed. He said not knowing where his money had gone when his existing ISA was closed caused anxiety, inconvenience, and phone calls which distracted him from his full-time job.

Tesco apologised to Mr V for not following his instructions concerning the transfer. It said the balance would be placed in an instant access ISA without penalty, and as this only contained the current year's funds he could deposit a further sum before the end of the tax year. Tesco offered £25 for loss of interest in comparison to his previous ISA, and £75 compensation, but Mr V said this was insufficient given its lack of care and the seriousness of the error and the anxiety and inconvenience caused. Mr V requested £300 compensation, but Tesco wouldn't reconsider its offer and he referred his complaint to our service.

Our investigator didn't recommend the complaint be upheld. He said the compensation Tesco offered for its error was fair as it covered the loss of interest and recognised the impact of its error. Mr V was dissatisfied with this response and requested an ombudsman review his complaint.

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 have looked carefully at the available information and the implications of what happened to Mr V. Both parties agree that Mr V gave clear instructions to Tesco via its Transfer Authority Form to transfer the sum of £7,000 and that Tesco mistakenly transferred all of the balance of his previous ISA.

When a business has made a mistake we look at the impact of this on the consumer and what the business did to put things right, and we consider what compensation would be a fair and reasonable reflection of this.

I'm pleased that Tesco quickly traced and confirmed to Mr V the whereabouts of his funds. Tesco then attempted to reverse the transfer and when that wasn't possible opened an instant access ISA for Mr V and explained the further contribution open to him. The funds were always with Tesco and so I don't think there was much anxiety about this. From what I've seen Tesco acted to minimise the impact of its mistake on Mr V.

Tesco has paid the loss of interest Mr V incurred (£25) and so I haven't found any financial impact on Mr V. Tesco also offered £75 compensation, but Mr V said this doesn't reflect its significant error on his savings and the stress and inconvenience he was caused. He said he, rather than Tesco spotted the error, and it took time to resolve and affected his work.

Mr V said the compensation should be within the £100 to £300 category which we say is appropriate for a large single mistake requiring a reasonable effort to sort out over several days, causing me distress and inconvenience. Mr V also points out that the new ISA account Tesco opened for him will require him to spend time in the future making new arrangements.

For this range of compensation we say that we would normally expect to see inconvenience beyond that caused to Mr V and a likelihood of disappointment and loss of expectation. These are not elements of Mr V's complaint and I think the offer is consistent with others we have seen of a similar nature.

I can appreciate the frustration and worry Mr V was caused worry when attempting to transfer the balance of his account to another. But as Tesco rectified its error quickly and put Mr V back in the financial position he would have occupied, I think its offer of compensation is fair and reasonable for what has happened. If Mr V hasn't received the £100 offered by Tesco, I recommend he accepts this offer.

My final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 23 October 2023.

Andrew Fraser
Ombudsman