

The complaint

Mrs E complains that National Westminster Bank Plc (NatWest) incorrectly credited her payment to the wrong account and needs to compensate her for the loss of use of her funds.

What happened

Mrs E made a payment from her account with another bank to a NatWest Individual Savings Account (ISA) on 19 December 2022, but said it was credited, against her instructions, to another of her NatWest accounts. She said NatWest's terms and conditions don't state it will do this and it should have returned the payment to the sending bank if it couldn't be credited to her ISA as it would have to have done if she hadn't held another account with NatWest.

Mrs E said when the payment wasn't credited to the correct account, she was worried the funds had been lost. She said she had to spend a lot of time with NatWest to trace the funds calling them on 2 and 3 January 2023. She said she couldn't proceed with her intended use of her funds, and she complained to the bank.

NatWest responded saying it hadn't made an error as its process and policy is to apply funds to the customer's alternate account when these cannot be applied to an ISA for any reason. NatWest explained that it did this as Mrs E had already used the ISA allowance. NatWest wrote to Mrs E advising her about the funds transfer and allowance limit for her ISA account.

Mrs E was dissatisfied with NatWest's response and referred her complaint to our service. Our investigator didn't recommend the complaint be upheld. He said due to a likely oversight by Mrs E, the funds couldn't be credited to the ISA and its policy and process is to credit the funds to another of the customer's accounts. He said NatWest followed its business process, which we don't comment on, and had acted reasonably.

Mrs E disagreed with the investigator and requested an ombudsman review her complaint. She wanted to see where NatWest's policy was set out. She said it's clearly stated in the terms that, *'if you pay more than the limit then any excess money will be returned to you'*.

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.

Mrs E wants to know why NatWest didn't return the payment to the originating bank when it couldn't be credited to her ISA, and where within NatWest's terms and conditions it states it will put the funds into another of her accounts if her instructions can't be followed.

I can see that the payment Mrs E was attempting to make to her ISA would have taken her above the permissible subscription limit for the tax year and so NatWest was correct not to apply it. NatWest has explained the different treatment of this payment from Mrs E's previous payments which were ISA transfers completed as transactions requested by NatWest on her behalf.

Since Mrs E's payment was beyond her ISA limit and wasn't an ISA transfer request, NatWest needed to reallocate the funds. Mrs E said this should have been back to her account with another bank. NatWest's terms and conditions state, '*If you pay in more than the limit, any excess money will be returned to you*'. 'Returned to you' refers to the customer and NatWest returned the funds to Mrs E by transferring the sum to another of her accounts. If the terms had stated that the funds would be returned to the sending bank, then I think Mrs E would be correct to say the process hadn't been followed.

NatWest says its policy in this situation is to refund the customer by crediting any alternative account the customer holds with it, or if not, to send the customer funds by cheque. I have seen the text of this process that NatWest has followed.

Banks have internal processes and policies for various transactions, including reallocating payments, and we wouldn't expect all of these to be in the terms and conditions. Unless we consider the process to provide an unfair outcome for a customer, we wouldn't comment on them. As the investigator has said, we don't regulate the banks, and their internal processes, or how they operate generally. That's the role of the Financial Conduct Authority.

I sympathise with Mrs E for exceeding her ISA allowance and then not noticing the funds had been credited to another of her NatWest accounts. Unfortunately NatWest doesn't have recordings of the calls with Mrs E on 2 and 3 January 2023 and so I can't see what she was told about the payment. However, it's clear Mrs E didn't realise the payment had gone to another of her accounts as she raised a complaint and didn't move the funds until the following month. Having said this NatWest wrote to Mrs E on 13 January 2023 and explained in detail how the payment had been handled and the account it had been credited to.

I can understand Mrs E's feeling of uncertainty about what had happened to her payment, but I don't think there was a loss of any significance during this period. I think NatWest's policy in crediting her payment to another of her accounts with the bank is logical and reasonable and is not something with which our service would interfere. I think NatWest has treated her fairly in respect of its handling of her payment and so I don't require it to take any action in respect of this complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 8 September 2023.

Andrew Fraser
Ombudsman