DRN-4546924

The complaint

Mr C has complained that Lloyds Bank PLC stated it would apply a charge to his fixed rate ISA if he closed it before the end of its term. He is also unhappy with the service he received relating to this matter.

What happened

Mr C took out a one year fixed rate ISA with Lloyds paying 4.95%. The account was opened on 27 June 2023, but did not receive any savings in it until 11 July. Under the terms of the ISA, there is a 14 day cancellation period.

With effect from 12 July, Lloyds offered a new one year fixed rate ISA to customers with an interest rate of 5.45%. As I understand it, Mr C contacted Lloyds at this time, asking that it cancel his existing ISA and move his funds into the new fixed rate ISA paying 5.45%. He has stated that he was initially told over the phone that the cancellation period ran from the date that he transferred funds into the account. However, in a subsequent call, Lloyds told Mr C that the cancellation period ran from the date the account was opened. Because he had contacted the bank more than 14 days after the account opening date, Lloyds said a charge equal to 90 days' interest would be applied to the funds if the account was closed.

Mr C was unhappy that in order to move his funds to the new 5.45% fixed rate ISA, he would lose around three months' interest. He also complained about the service he had received when he had contacted Lloyds about this matter, highlighting that he had been left on hold on the phone for a long time, and he had not been able to speak to a manager, despite his request to do so.

Lloyds agreed that the service it had provided Mr C when he'd rung was poor, and it paid him £50 compensation to reflect that. It also accepted that Mr C had initially been given incorrect information about the date from when the 14 day cancellation period would run. However, referring to the account terms, it confirmed that the cancellation period ran from the date the account was opened on 27 June. Consequently when Mr C rang to enquire about closing the account, Lloyds stated the 14 day cooling off period had elapsed, and it was therefore correct to say that the funds would be charged 90 days' interest.

Unhappy with Lloyds' stance, Mr C brought a complaint to this service. He asked that Lloyds be required to apply an interest rate of 5.45% to his ISA, and increase its compensation from £50.

Our investigator did not uphold this complaint. Her view was that Lloyds was entitled to charge 90 days' interest if an account was closed after the 14 day cancellation period, and before the end of the account term. She also considered the £50 compensation payment to be fair.

Mr C asked that his complaint be referred to an ombudsman.

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.

Mr C has explained that when he rang Lloyds, he was initially told that the 14 day cancellation period started when money was first received in the ISA, which was on 11 July. Lloyds does not dispute that Mr C was told this at first, but it has stated that this was incorrect, and it has referred to the terms and conditions provided to Mr C when the account was arranged.

The terms state: "*Your fixed term starts on the day you open your account, even if you don't start saving straightaway.*"

Mr C's ISA was opened on 27 June 2023. Lloyds has stated that the 14 day cancellation period therefore expired on 10 July. This was two days before it started to offer a new one year fixed rate ISA of 5.45%.

The terms also confirm that if the accountholder closes a one year fixed rate ISA during its term, 90 days' interest is charged.

Based on the evidence provided, my view is that Mr C contacted Lloyds to request that his ISA be closed after the 14 day cancellation period had elapsed. As a consequence, I consider Lloyds acted appropriately when it stated that it would apply a 90 days' interest charge if Mr C closed the ISA before it reached the maturity date.

Lloyds accepts that it initially misinformed Mr C during a phone call that the 14 day cooling off period ran from the date that the funds had been received on the account. Although I consider this was a clear mistake by Lloyds, in my view this should not result in the bank now being required to apply a 5.45% interest rate to the account. I say that because when Mr C rang Lloyds to enquire about the ISA closure, he was already outside of the 14 day cancellation period, and so it was too late to move his funds out of the ISA without incurring the 90 day charge.

Lloyds clearly did not handle Mr C's enquiry about this matter as well as it should have done. Aside from initially misinforming him about the date when the 14 day cancellation period ran from, when it later gave him the correct information over the phone and he sought to speak to a manager, he was left waiting for a lengthy period of time. However, although I agree that Mr C was caused unnecessary inconvenience, overall I consider the £50 compensation amount Lloyds paid him was fair in the circumstances of this complaint.

I appreciate that Mr C is likely to be disappointed with my findings. But in conclusion, my view is that Lloyds should not be required to carry out any further actions in relation to this matter.

My final decision

Lloyds Bank PLC has already paid Mr C £50 compensation, and I consider this amount is fair in all the circumstances. As a consequence, my final decision is that I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 May 2024.

John Swain

Ombudsman