

The complaint

Mr H complains that HSBC UK Bank Plc would not allow him to correct an error when he took funds for an Individual Savings Account (ISA) from his existing ISA, rather than his savings account, causing him to lose his annual ISA allowance.

What happened

Mr H attempted to transfer £20,000 from his savings account into his new cash ISA, but mistakenly took the funds from his existing cash ISA. He said that as a consequence he has lost his annual ISA allowance of £20,000. Mr H said both accounts had a similar amount of money in them which was probably why the error occurred.

Mr H is disappointed by a lack of support from HSBC in handling his problem. He said he's spoken to HSBC several times including its customer services who won't rectify the error. Mr H thinks HSBC's online banking system has not been set up properly to avoid this kind of mistake and it means he hasn't put anything into his ISA in the financial year. To put things right, Mr H asked HSBC to release to him the annual ISA allowance of £20,000. He said that to avoid a similar situation with other customers, HSBC should improve its user interface.

HSBC said the payment Mr H made to his new ISA meant it was fully subscribed for the year 2022/23 under HMRC's rules. It said as Mr H had made the payment and as they are two different ISAs this couldn't be corrected. But it paid him £75 for any inconvenience caused.

Mr H said as a long-standing customer he feels poorly treated by HSBC and its response has been unsatisfactory and lacked empathy. Mr H referred his complaint to our service.

Our investigator didn't recommend that it be upheld. He said HSBC's system described the accounts involved in the transfer and prompted about the withdrawal from the ISA. He said the process is clear, operates within HMRC rules, and HSBC couldn't have done more to prevent the error. He thought the £75 HSBC paid for Mr H's inconvenience was reasonable.

Mr H disagreed with HSBC's claim that it gave clear prompts to prevent this kind of mistake and said he would have noticed a warning about a withdrawal from an ISA. He said HSBC gives a clear warning on a transfer to a new payee and takes time to check applications for a new account, but neither of these happened when he opened a new ISA. Mr H said all his ISA accounts should be treated as one, 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.

Mr H thinks that HSBC is unwilling to provide a fair and reasonable solution to the issue of his mistaken payment. HSBC has said it can't undo the payment that Mr H made and HMRC rules mean any funds taken out of an ISA lose their tax-free status.

Mr H acknowledges that it was his error that the payment was made from the incorrect account. Although it may sound harsh to Mr H, it is the customer's responsibility to ensure payment is made as required and he could have checked his accounts at the time of the transfer to remove the risk of a mistake.

Mr H would like HSBC to alert customers when transferring funds into an ISA account to check if correct actions are being taken. I've seen that Mr H's accounts were named on the transfer so he could see where the transfer was coming from. HSBC's system, which was in place at the time, followed this with a warning to customers that they are about to withdraw from their ISA and that '*any amount withdrawn cannot be replaced in the same tax year*'. The transfer process then required Mr H to confirm the transfer. I think this system operates as a reasonable precaution against mistakes.

Mr H was transferring from an electronic ISA to a Cash ISA and the rules that HSBC operates do not allow these accounts to be amalgamated. I agree with HSBC that it should not treat all ISA accounts as one investment as far as the annual limit is concerned. HSBC has to comply with HMRC rules, and these distinguish between different ISA accounts.

HSBC paid Mr H £75 for any inconvenience, and I think this was fair. However, I haven't seen anything to suggest HSBC acted unfairly or unreasonably to Mr H in its handling of his ISA, and so I'm unable to uphold the complaint. I'm sorry that Mr H has lost his annual ISA allowance, but given that this wasn't caused by any action by HSBC I can't require it to take any action.

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 H to accept or reject my decision before 26 September 2023.

Andrew Fraser
Ombudsman