

The complaint

Mr J complained to Leeds Building Society (LBS) about the setting up of an online fixed rate Individual Savings Account (ISA), in particular his request for interest to be paid annually to his nominated bank account.

What happened

I set out the background to the complaint and my provisional findings in my provisional decision, and here.

Mr J took an ISA with LBS online fixed at 3.95% interest for three years. Mr J said interest can be credited to the ISA or to another account, and he entered his bank account details for this purpose, but this wasn't shown in the online portal so he called LBS and was told it would be corrected. LBS mentioned a new ISA with 4.05% interest and Mr J arranged to close his ISA and transfer to the new ISA issue.

The transfer was arranged, and Mr J nominated the interest to be paid to his bank account as per the ISA product terms. He said that the terms don't say that operating the account by branch or post prevents interest from being paid annually or externally and don't state interest will be compounded annually and added to final balance. And so Mr J said he expected interest to be paid annually to his bank account and LBS had acted in error.

The product states: *'Interest is calculated daily and paid annually on 31 March (commencing 31 March 2024) and on maturity (31 March 2026). Interest can be credited to the account or transferred to another building society/bank account or to another account held with LBS'.* And further: *'The account can be operated in branch or by post. You will also be able to carry out some operations by telephone and online, where you have registered for online services.'*

Mr J said on several calls LBS said it couldn't add his bank for annual interest payments. He said he couldn't tolerate this as he needed to support his income. He said he'd suffered enormous hurt and emotional distress by LBS refusing to act according to the ISA terms. Mr J's complaint to LBS wasn't upheld as LBS didn't consider his ISA as 'a true online account'. But LBS subsequently added Mr J's bank account so annual interest could be paid and he said this was more or less right, though the professionalism he expected was lacking. He referred his complaint to our service seeking £350 for hurt and emotional distress, and £150 for inconvenience and time taken complaining and £7.50 for phone calls.

Our investigator didn't recommend the complaint be upheld. He said we can't tell LBS to change its process as we aren't the industry regulator. He said the ISA terms explain that only some operations can be carried out online or by phone and this showed limited online functionality. He felt that LBS had ensured Mr J had the information he needed and meant LBS wasn't able to action Mr J's request at first, but has now done so. As to Mr J's request for compensation, he said we wouldn't make an award for raising a complaint as it isn't a regulated activity, and he was satisfied that LBS had dealt with Mr J's complaint promptly.

Mr J wasn't satisfied with this and said the investigator hadn't read his submissions and ignored the stress of potentially being unable to access his money on an annual basis due to highly conflicting information from LBS. Mr J requested an ombudsman review his complaint.

My provisional decision

I said that I intended to uphold the complaint in part and require Leeds Building Society to pay Mr J £100 compensation.

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.

LBS hasn't responded to the provisional decision. Mr J said my provisional decision was insightful and fair and was pleased to note that he can raise a further complaint about his fixed rate ISA with LBS if it fails to pay interest due on 31 March 2024 as per the product terms and conditions.

Mr J noted that the terms of the ISA allowed an annual interest payment and being an online account linked to his bank account, logically there would be no other practical way to pay annual interest and so LBS shouldn't be advertising this product if it can't pay interest in accordance with the terms. Mr J requested a marker be placed on his account by LBS to alert staff in advance to pay interest due 31 March 2024-26.

Having thought about Mr J's complaint again I remain of the view that it should be upheld in part and for the reasons I gave in my provisional decision, and below.

Mr J wanted LBS to recognise that his request to credit interest to an external nominated bank account was within the terms of its ISA product and action this. He has given details of the time and effort he has spent trying to resolve this.

LBS terms state that interest can be added to an ISA or to another nominated account. Mr J nominated his bank account for this purpose and was surprised to see from the online portal that this wasn't shown. He was also concerned that LBS intended to add the interest at the end of the three-year term and not annually and has explained his reasons why this wasn't acceptable. However, I'm pleased that LBS has subsequently agreed to these arrangements. This resolves the main part of the complaint.

I can understand both why Mr J felt the terms of the ISA clearly set out his right to nominate an account, as this is what they say, and why LBS thought the terms showed the limitations of what was possible to amend online, by saying some operations can be carried out online. Balancing these two positions though causes me to think Mr J wasn't provided with guidance so clear that he ought to have understood that his request wasn't possible. Perhaps if LBS's terms stated what wasn't possible to achieve online this would have helped. In its response to Mr J's complaint LBS said it was launching a new system to address online limitations.

Mr J said he spent a lot of time and energy grappling with LBS's poor systems and suffered enormous hurt and emotional distress. I'm not sure that enormous hurt and emotional distress are commensurate with the events that unfolded here. However, it's clear that Mr J spent time trying to resolve his ISA and received incomplete online information and some conflicting information on his calls with LBS. Having considered what the fair and reasonable response should be in the overall circumstances of the complaint, I remain of the view that compensation of £100 in respect of all aspects of his complaint is fair and reasonable.

I understand Mr J's stress at '*potentially being unable to access my money on an annual basis*'. Our service has to consider complaints according to what has happened, and not what might have happened. Should Mr J discover that LBS has not paid his interest on the annual basis on which his ISA is now set up, he can bring a further complaint to LBS and subsequently our service.

I hope this decision allows Mr J to move on emotionally from the unhappiness he's described in his complaint. And I hope LBS make the correct payment of interest in March 2024, as agreed, to avoid further problems.

My final decision

For the reasons I have given I uphold Mr J's complaint in part, and I require Leeds Building Society to pay him £100 compensation.

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

Andrew Fraser
Ombudsman