

The complaint

Mr P complains about service provided by Paragon Bank Plc (Paragon).

What happened

In March 2019, Mr P had an easy access ISA with Paragon. In July 2018, there were two credits – one for £1, one for £19,116.05.

He wanted to close the easy access ISA by transfers to another provider (A) and to his nominated bank account. Between 14 January 2019 and 11 March 2019, three payments totalling £19,116.05 were transferred out of the account, leaving a balance of £1.

The transfers out were:

- 14 January 2019: £2,250.05 (to bank account)
- 6 March 2019: £2,538.00 (to bank account)
- 11 March 2019: £14,328.00 (to bank A)

The balance of £1 remained on the account and so it didn't close. With accrued interest being credited to the easy access ISA, the balance was £154.31 in October 2022.

In October 2022, he asked to open a one-year fixed cash ISA with Paragon and tried to transfer £10,000 into it. The payment was rejected by Paragon as the payment had come from an account which Paragon didn't recognise.

Mr P said that he'd changed his current account provider in the meantime – so the 'nominated account' held in Paragon's records for the old account was different to that used by Mr P in October 2022. Mr P needed to re-advise Paragon of his new nominated account as a result.

Mr P complained. He said:

- He hadn't authorised the transfer of £1 to the easy access ISA from his main bank current account.
- He couldn't see why Paragon hadn't transferred the (then) whole balance to provider A in March 2019 and closed the account. As a result, Mr P was inconvenienced as he needed to advise Paragon of new nominated account details in October 2022 – and this took until 21 November 2022 to do. He said Paragon's processes to do this were slow and staff were pedantic. So – because the payment of £10,000 was rejected, and he intended to invest a further £4,500, he lost out on interest being earned for the intervening period – and wants this refunded to him. He also wants compensation for the stress and inconvenience experienced.

Paragon said the transfer request from provider A was for the previous tax year's funds only and didn't therefore include the £1 payment – as this was counted as the current year's

funds. Therefore, the account remained open. The balance as of October 2022 was £154.31 – with accrued interest.

Paragon had sent the necessary form to Mr P to complete to add a new nominated bank account, but this was delayed by a postal strike.

Paragon agreed that some of the email correspondence with Mr P could've been clearer, and for that, paid compensation of £25.

Mr P brought his complaint to us. Our investigator said Paragon didn't need to do anymore. He said he'd seen the transfer request from provider A and it didn't ask Paragon to close the easy access account, so he didn't think Paragon were wrong to keep it open.

He said there were delays in adding the new nominated account but he said this wasn't unreasonable and Paragon followed their processes in doing so. Paragon operated the easy access account online, and so Mr P didn't receive any paper statements – which meant that Mr P wasn't aware the old account was still open.

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.

The crux of Mr P's complaint is how the transfers in and out of his account relate to the ISA allowances, and for which tax years.

I asked to see the transfer request that Paragon received from bank A. It was dated 7 March 2019.

It clearly stated that the current year's subscriptions (i.e. tax year 2018/2019) were to be left with Paragon, and it was the prior year's ISA subscription (i.e. tax year 2017/2018) that was to be transferred to bank A.

Looking at Mr P's Easy Access Cash ISA with Paragon:

£1 – credited on 6 July 2018:

This was part of Mr P's ISA allowance for the tax year 2018/2019. And it wasn't transferred out of Paragon because the transfer request from bank A asked for prior year's subscriptions to be transferred.

Mr P has said to us that he didn't subscribe to an ISA with Paragon for this tax year – but we asked Paragon about that and they showed us a letter dated 5 July 2018 and addressed to Mr P - which said:

"Welcome to your new Paragon ISA ... Thank you for applying for a Paragon Easy Access Cash ISA. We're delighted you've chosen to save with us.... In this pack you'll find everything you need to manage your account online and get started.... If you haven't done so already, you need to make your opening payment as soon as possible. Remember you have 30 days from the date of your application to do this and then you can top up your savings whenever you like. Unfortunately if there is any delay with this, you'll need to reapply for your account and the interest rate may have changed." So – it's reasonable to say that Mr P did subscribe for an ISA with Paragon for that tax year.

The credit for £1 was then credited to the account on 6 July 2018 – so was part of Mr P's

ISA allowance for the tax year 2018/2019. And as the transfer request asked for that current year's subscriptions (i.e. tax year 2018/2019) to be left with Paragon, the amount of £1 was not transferred to bank A.

Mr P has said he didn't authorise the payment of £1 to Paragon from his bank – but that's not a matter for Paragon – and Mr P must contact his bank about that. We can only expect Paragon to process the credits to Mr P's Easy Access ISA, which is what they did.

£19,116.05 - credited on 17 July 2018:

Paragon told us that this was part of Mr P's ISA subscription for the tax year 2017/2018 – this had been transferred to Paragon from another bank. We asked Paragon about this – and they showed us evidence that the amount was part of Mr P's ISA allowance for the tax year 2017/2018.

Therefore, I'm satisfied that Paragon did the right thing to transfer this amount to bank A, in accordance with the authority they received.

Transfer out: £14,328.00 – 11 March 2019:

This was transferred to bank A under the transfer request dated 7 March 2019. And as I've said, it related to the tax year 2017/2018.

Paragon explained that the form for Mr P to advise a new nominated bank account was delayed by a postal strike, which seem to me to be a reasonable explanation for the delay, and while this caused Mr P some frustration, we can't hold Paragon responsible for that.

I want to assure Mr P that we've looked closely at what happened here and have asked Paragon a number of further questions and sought more evidence. I can see that Mr P feels strongly about what happened here, and so will be disappointed by my decision, which is that I do not uphold his complaint.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 2 January 2024.

Martin Lord
Ombudsman