

The complaint

Mrs B is unhappy that Clydesdale Bank Plc trading as Virgin Money caused delays when she tried to transfer her Individual Savings Account (ISA) to another provider.

What happened

On 15 November 2022, Mrs B opened a fixed rate ISA with another savings provider, who I'll call Company A, and asked them to transfer over her funds from her Virgin Money cash ISA. Company A wrote to Mrs B on 23 November 2022 explaining that they'd cancelled her ISA transfer request as Virgin Money had advised them that the account couldn't be found using the details she'd provided. They asked her to contact Virgin Money for further information and explained she'll need to complete a new ISA transfer request form if she wished to proceed with the transfer.

Mrs B wrote to Company A explaining that she'd checked the details she'd provided in her application against her Virgin Money bank statement, and these matched. She was unhappy that the failed first transfer attempt meant she'd lose out financially. She enclosed a paper ISA transfer form along with a copy of her Virgin Money bank statement.

Company A processed Mrs B's ISA transfer request again. This was successfully completed on 14 December 2022. Company A responded to Mrs B's complaint explaining that Virgin Money had rejected her transfer request with the reason provided as 'no account found'. They said they wrote to Mrs B to advise her of this, so they were satisfied they processed her initial ISA transfer request correctly and in a timely manner.

But Company A accepted they should've attempted to resubmit Mrs B's ISA transfer request again electronically after she'd messaged them on 6 December 2022 confirming that the account details she'd provided initially were correct. They agreed they caused some delays in the ISA transfer by waiting to receive Mrs B's paper ISA transfer form. They explained HMRC rules allow them 15 working days to complete an ISA transfer. So, they backdated Mrs B's interest from 7 December 2022, which was 16 working days from the date of her initial application.

Mrs B complained to Virgin Money about the delays they'd caused by rejecting her ISA transfer. She explained if her initial request had been dealt with correctly, then the transfer could've been completed by 23 November 2022. She said her Virgin Money account was only earning 1% per annum, whereas she could've received 4.38% per annum with Company A. She asked them to compensate her for the difference in lost interest between the two accounts for 21 days, from 23 November to 14 December 2022, which she'd calculated at £5 per day.

Virgin Money said they weren't responsible for the delays in Mrs B's ISA transfer. They explained that Clydesdale Bank and Yorkshire Bank had become part of the same banking group as Virgin Money. Their long-term plan is for a full integration of systems and products under Virgin Money. But whilst this was in process, Clydesdale Bank and Yorkshire Bank operate on different systems, independently of Virgin Money.

They said that Yorkshire Bank didn't receive the first transfer request. They explained Company A should've checked The Investing and Savings Alliance (TISA) database to successfully transfer funds. And since they sent it incorrectly to Virgin Money, the request was rejected.

They explained Company A should've sent the transfer request to 'Virgin Money with a 05 sort code' as they did the second time, and the transfer was completed within one day. They believed the details were clearly presented and available for Company A to adhere to, so this was a failing on Company A's part.

Unhappy with Virgin Money's response, Mrs B referred her complaint to our service. Our investigator said that Virgin Money hadn't made a bank error as the first transfer request wasn't sent correctly. He didn't think it was fair or reasonable to ask Virgin Money to compensate her for the loss of interest. Mrs B disagreed and asked for an ombudsman to review her complaint.

Mrs B explained that the account details were enough to identify the account, so she questioned why Virgin Money staff failed to recognise her account as a valid Virgin Money account when their website states – "Clydesdale Bank, Yorkshire Bank and Virgin Money are one bank".

She feels Virgin Money rejected the initial transfer because they didn't handle Virgin Money accounts with a 05 sort code. But she thought it was quite easy for anyone to verify that accounts with a 05 sort code are Virgin Money accounts. She said they should've passed on the transfer request to the department that could handle the transfer.

She also said that Virgin Money bank statements don't mention that she should specify 'Virgin Money with 05 sort code' when completing an ISA transfer. She feels that Virgin Money need to give customers the information they need to arrange a successful ISA transfer, particularly when their departments don't communicate with each other.

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.

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Virgin Money, Yorkshire Bank and Clydesdale Bank are all part of the same banking group. But as Virgin Money have explained, they all operate independently to each other on their own systems while they work on their longer-term plans of merging all the systems.

This effectively means that for the purposes of an ISA transfer, they're considered separate ISA providers. And the ISA transfer request needs to be sent from the new provider to the correct existing provider.

The TISA shows the additional information Virgin Money have recorded to ensure new ISA providers send ISA transfers to the correct provider. It also sets out the other options to use for Yorkshire Bank accounts with sort codes starting with 05, Virgin Money accounts with numerical characters and Clydesdale Bank accounts with sort codes starting 082. So, in this case, the option for 'sort code starting 05' should've been used.

Company A has shown that the initial transfer request was sent to 'Virgin Money' and not to 'Virgin Money with sort code 05'. This means the request wasn't sent to the correct provider where the system under which Yorkshire Bank accounts are managed. This explains why Virgin Money couldn't find Mrs B's account as their systems are separate. I don't think it was unreasonable that Virgin Money rejected the ISA transfer request when they couldn't find Mrs B's account details on their system.

I agree with Mrs B that Virgin Money would, or should reasonably have known, that the request was incorrectly sent to them, based on the sort code. But, I don't think it's reasonable to expect that Virgin Money should've passed Mrs B's ISA transfer request on. As per the ISA transfer rules, the ISA transfer request should be made by the new provider directly to the existing provider – so, Company A to Virgin Money with sort code starting 05.

That said, I think it would've been helpful if Virgin Money had flagged to Company A that the correct provider wasn't selected in their reasons for rejecting the transfer. But I accept Virgin Money weren't obligated to do so, as the reason they gave for rejecting the transfer wasn't incorrect and from their perspective, they'd updated TISA with the information new ISA providers require.

I don't think it's reasonable to expect Virgin Money to specify how ISA transfers should be completed on bank statements as Mrs B has suggested. It isn't the purpose of a bank statement, and unlikely to be relevant to all customers.

Ultimately, I think the delays in the ISA transfer being completed was as a result of the transfer request not being sent to the correct provider. And the responsibility for this doesn't lay with Virgin Money. I'm satisfied that when the transfer request was sent using the correct provider details, Virgin Money responded and actioned it in a timely manner – which is what I'd expect to see.

Since I don't think Virgin Money did anything wrong, I can't fairly ask them to compensate Mrs B for the interest she says she's lost.

My final decision

For the reasons explained above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 15 January 2024.

Ash Weedon
Ombudsman