

## **The complaint**

Ms A has complained that Nationwide Building Society paid her annual interest accrued under her cash ISA into her current account with it, rather than including the interest in the sum transferred to her new ISA provider.

## **What happened**

Ms A held savings in a cash ISA with Nationwide. In October 2022, she reinvested the funds into a one year fixed rate ISA. At that time, she chose for the annual interest accrued to be paid into her Nationwide current account.

In October 2023, Ms A chose to transfer her ISA to a new provider (which I will call 'provider S'). Nationwide was contacted by provider S with the transfer request, and it carried this out. However, before transferring the ISA funds, Nationwide paid the annual interest of £3,400 earned under its fixed rate ISA to Ms A's current account.

Ms A was unhappy that the annual interest amount had been paid into her current account, rather than being transferred with the rest of her ISA funds to provider S. She pointed out that this £3,400 amount would now be outside an ISA, and that this meant future interest earned on it would be liable to tax.

Nationwide responded that in paying the £3,400 accrued interest into her current account, it had acted in accordance with the instructions Ms A had provided over the phone in October 2022 when she'd taken out the fixed rate ISA.

Unhappy with Nationwide's stance, Ms A brought a complaint to this service. She stated that when she had completed provider S's application form requesting that her Nationwide ISA be transferred to it, this requested for the full amount of her funds to be transferred. Ms A questioned why Nationwide had paid interest to her current account in line with her earlier instructions given in 2022, rather than paying the interest to provider S as part of the ISA transfer, which was in line with her more recent instructions.

Ms A suggested that because the £3,400 interest amount was no longer in an ISA, it would be subject to tax of £680. Because she was already intending to use other funds to take advantage of her yearly ISA contribution limit of £20,000, Ms A said she would not be able to move the £3,400 sum back into an ISA going forward, and therefore any interest it received in the future would be subject to tax. Ms A also stated she was unhappy with the customer service she had received from Nationwide when dealing with this matter.

Our investigator did not uphold this complaint. Her view was that when Nationwide paid the interest amount into her current account upon maturity of the fixed rate ISA on 20 October 2023, it was following the instructions Ms A had provided over the phone at inception of the account in October 2022. Although Ms A had believed that her transfer instructions submitted in 2023 would supersede her election made in 2022 for interest to be paid into her current account, the investigator didn't consider that would be the case. She also commented that Ms A had not contacted Nationwide before the transfer request to ask that

the interest be transferred with the rest of the ISA funds. The investigator's view was that the customer service provided to Ms A was reasonable.

Ms A did not agree with the investigator's findings and asked that her complaint be reviewed by an ombudsman. She commented that during her phone call to Nationwide in October 2022, the discussion regarding where interest was to be paid was very quick. With regard to the ISA transfer process, she said that all the information she had read only mentioned completing the new provider's transfer form, and did not say that the consumer should contact the existing provider too. Had she known she needed to contact Nationwide to ensure the interest was transferred to provider S, Ms A said she would have done so.

Ms A said that the transfer form clearly stated that the full amount should be transferred. In her view, Nationwide should have clarified with her where she wanted the interest to be paid when it received the transfer request. By not doing so, she said Nationwide had been negligent. Ms A commented that when she contacted Nationwide on 30 October 2023, which was the date she became aware that the interest had not been transferred to provider S, there was still a 14 day window for that to be done. In her view, that gave Nationwide the opportunity to change where the interest was paid. Ms A said that Nationwide had not acted in her best interests.

### **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.

In the course of arranging her one year fixed rate ISA, Ms A spoke with Nationwide on 29 October 2022. Nationwide has provided a recording of this call. I acknowledge Ms A's comments that the discussions during this call about where she would like her interest to be paid were brief. However, Ms A did confirm in the call that she would like interest to be paid annually, and that it should be paid to her Nationwide current account.

As her ISA approached maturity in October 2023, Ms A elected to transfer it to provider S. As Ms A has stated, that process required her to arrange the transfer via provider S, and for that reason she did not contact Nationwide. However, her instructions about where interest under her existing Nationwide ISA should be paid were not changed by her.

Ms A has stated that because Nationwide received a request from provider S for her full ISA funds to be transferred to it, Nationwide should reasonably have contacted her to clarify where the interest should be paid. I have carefully considered Ms A's comments in this regard. However, in my view it was reasonable that based on the existing instructions it had from Ms A for her fixed rate ISA, Nationwide carried out those instructions to pay the interest to her current account on maturity. On balance, it does not seem to me that Nationwide had reason to question these existing interest instructions.

I can appreciate why, when Ms A chose to transfer her ISA in October 2023, she did not recall the detail of what she had requested in her phone call with Nationwide a year before regarding where interest should be paid. But I need to consider whether Nationwide acted appropriately when paying the interest to Ms A's current account, based on the records it held for the ISA. My view is that it did.

I understand that Ms A is likely to be disappointed with my findings, and I appreciate that she is unhappy that the £3,400 interest amount is now outside an ISA, meaning that interest earned on that sum is liable to tax. But overall, my conclusion is that Nationwide has not been at fault by paying this amount into the current account. In addition, I do not consider that Nationwide handled Ms A's concerns about this matter unreasonably when she

contacted it.

### **My final decision**

My final decision is that I do not uphold this complaint, and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 30 May 2024.

John Swain  
**Ombudsman**