

The complaint

Miss F is unhappy with the interest rate she received from Flagstone Group LTD.

What happened

Miss F held money in a third-party deposit account via her Flagstone account. Miss F raised a complaint with Flagstone because she noticed that the third-party account that she was holding via Flagstone was paying a lower rate of interest than she would have received if she'd opened the third-party account with the third-party directly.

Flagstone responded to Miss F and explained that the interest rate for the third-party account held with Flagstone is set by the third-party, and that Flagstone accounts aren't guaranteed to have the same rate of interest offered by third parties directly. Miss F wasn't satisfied with Flagstone's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Flagstone had acted unfairly in how they'd managed the situation, so they didn't uphold the complaint. Miss F remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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.

Having done so, I'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

Flagstone can be said to operate as a deposit account aggregator. By this I mean that Flagstone's own account is a holding account, into which account holders can deposit their own money and from which they can move their money to a number of various third-party accounts offered on the Flagstone platform.

Miss F is unhappy because she noticed that, for a period of time, the interest rate that she was receiving on a third-party account she held with Flagstone was lower than the interest she would have received if she'd opened an account with that third-party directly.

But it must be noted that when an account is held with a third-party via Flagstone, this isn't the same as holding the account directly with that third-party. Rather, Flagstone have arrangements with the third parties they work with, such that an account opened with a third-party via Flagstone is separate and distinct to directly held third-party accounts.

Additionally, the interest rates for third-party accounts held with Flagstone are set by the third-party, and not by Flagstone. And the separate nature of Flagstone held accounts

means that interest rate changes for Flagstone accounts are implemented by the third-party separate to any interest rate changes they might make on their own, directly held accounts. And this means that it can be the case, as it was here, that a third-party might choose to raise interest rates on its directly held accounts and not on its accounts held via Flagstone.

Notably, there's nothing in Flagstone's terms which guarantees that interest rates on accounts held via Flagstone will always match interest rates being offered by third parties directly. And given the nature of how Flagship operate, as described above, neither would I reasonably expect such a guarantee to be provided.

So, while I can understand Miss F's displeasure that she could, for a period of time, have earned a better rate of interest had she held an account with a third-party directly, it was never guaranteed by Flagstone's terms that interest rates on third-party accounts accessed via their platform would match interest rates offered by third parties directly.

Furthermore, it wasn't Flagstone who created the disparity in interest rates. Rather, it was the third-party themselves which did this when they increased the interest rate they offered on accounts they offered directly but didn't correspondingly increase the interest rate offered on Flagstone held accounts.

All of which means that I don't feel that Flagstone have done anything wrong or acted unfairly here as Miss F contends. Rather, I feel that Flagstone have administered Miss F's account in line with their terms and conditions and that Miss F has an expectation about interest rates which isn't reasonable, given the terms of her Flagstone account.

I realise this might not be the outcome Miss F was wanting, but it follows that I won't be upholding this complaint or instructing Flagstone to take any further action here. I hope that Miss F will understand, given what I've explained, why I've made the final decision I have.

My final decision

My final decision is that I do not uphold this complaint.

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

Paul Cooper
Ombudsman