

## **The complaint**

Ms G complains Sainsbury's Bank Plc doesn't automatically increase her savings rate.

## **What happened**

Ms G holds a variable rate cash ISA with Sainsbury's. Ms G saw the Bank of England base rate had increased and thought her ISA would too.

Ms G realised her rate hadn't increased automatically, even though she holds a variable rate account. Ms G rang Sainsbury's and it increased the rate on her account.

Ms G felt it's unfair Sainsbury's doesn't automatically increase the rate on her account when the base rate increases. Instead, Ms G was having to check when the rate was increased and contact Sainsbury's to benefit from the higher rate. Ms G complained to Sainsbury's.

Sainsbury's responded to say just because Ms G holds a variable rate account this doesn't mean the rate will always increase to match the base rate. Sainsbury's said it was Ms G's responsibility to check for higher rates.

Unhappy with this answer, Ms G brought her complaint to this service. An investigator looked into things and thought Ms G's complaint should be upheld.

The investigator thought it was unfair Ms G was having to call in each time to increase the rate on her account. The investigator thought Sainsbury's should backdate any interest rises to the date they came into effect and pay £100 compensation.

Ms G accepted the assessment, but Sainsbury's didn't. Sainsbury's said the account automatically increased in rate, not just when Ms G called in. Sainsbury's said its terms and conditions explained Ms G may not get the same rate as new customers.

Sainsbury's said it uses its commercial judgement to increase, or not increase rates. Sainsbury's asked for an ombudsman to decide things.

## **My provisional decision**

I issued a provisional decision, intending to not uphold Ms G's complaint, and in it I said:

Sainsbury's was, initially, inconsistent with its explanations around how and why the rate on Ms G's account increased. Sainsbury's didn't, I think, fully explain its processes in response to the investigator's assessment.

It also wasn't very clear why Ms G was able to keep the same account number, which would indicate her account hadn't changed, and benefit from the higher rate once she called in.

I spoke to Sainsbury's about its decision making around the increase in rates and why it appeared Ms G had to call in to benefit from higher rates on her account.

Sainsbury's explained it releases new issues of its variable rate cash ISA when it decides to offer new rates. This applies to higher and lower rates. More recently the base rate has been steadily increasing, so Sainsbury's' new issues have higher rates.

Rather than number these new issues of the account, Sainsbury's uses the date of release of the new account to indicate it's a new issue.

Sainsbury's has explained Ms G could apply online for a new account. This would involve a new ISA declaration and an ISA transfer. Sainsbury's would then open a new variable rate cash ISA, with a new account number.

Sainsbury's also said consumers often didn't then close off their old ISA accounts, so consumers end up with multiple old issues of the same account with nothing in. This can be confusing for consumers.

Sainsbury's explained existing consumers can call and it will redesignate their account to the new issue. This avoids the need for a new application, forms and old, empty accounts left behind. This seems a reasonable thing for Sainsbury's to do.

And this explains why Ms G's account number doesn't change even though she now has a newer issue of the account.

Sainsbury's says Ms G's been able to redesignate her account nine times in a little over a year. If Sainsbury's didn't offer the option of redesignating the account Ms G would have had to complete nine applications and potentially be left with lots of empty, unused accounts.

It's quite usual for a business to offer new issues of savings accounts. And Sainsbury's allows existing consumers to open the new issues and transfer their ISA across, to benefit from the higher rate. I think this is a fair thing for Sainsbury's to do.

It's clear Ms G is looking for the best rates for her savings. Ms G's been able to move to the newer issue several times, and often this is soon after the issues are released.

Sainsbury's says it's Ms G's responsibility to look for the rates, and I'd agree. If another bank offers better rates, and Ms G see this and decides to transfer there, I wouldn't say Sainsbury's is at fault for offering a lower rate.

I think the same goes for newer issues of an account at the same bank.

And Ms G's Sainsbury's variable rate ISA would automatically increase in rate had she not called in and redesignated her account so quickly. Whilst these increases don't match the newer issues, the rates do increase.

Because of this I think it's reasonable for Sainsbury's to call the account a variable rate account. And this means I think Sainsbury's is abiding by its terms for the account.

I don't think Sainsbury's has done anything wrong in the way it's released new issues of the variable rate cash ISA. Because of this, I don't think it needs to backdate any interest or pay any compensation.

Ms G says some of her other savings providers automatically increase the rates on their savings accounts and this matches the rise in the base rate.

I can't comment on what other providers do, or force Sainsbury's to adopt the same policies and processes as other providers.

### **Responses to my provisional decision**

Sainsbury's responded to say it agreed with my provisional decision.

Ms G responded to say she wanted proof the interest rate on her account would have increased had she not moved accounts. Ms G said the interest rate had risen 14 times and wanted to see the variable rate ISA had done the same.

Ms G said other banks' websites show the rates available. And other banks give an issue number and don't rely on the date the account was opened. Ms G also feels the way Sainsbury's displays the rates is misleading.

Ms G wondered whether this service was here to protect consumers.

Ms G also said the Chancellor had threatened regulatory action if banks didn't pass on interest rate rises to savers.

### **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.

I sent Ms G screenshots of the Sainsbury's website showing where rates have increased for older issues of the variable rate ISA. Ms G responded to say these rates weren't increased each time the base rate rose or by as much as the increases.

Ms G's correct, but it doesn't change the fact Sainsbury's has increased the interest rate for older variable rate ISAs. I said in my provisional decision I was satisfied Ms G's rate would have increased and I still am.

Ms G says other websites are clearer and use numbers for issues, not dates.

I've looked very carefully at Sainsbury's website, and what it says. Sainsbury's titles each account, in bold, with "Rates for accounts opened from" and then the applicable date.

Below this, not in bold, it says "Rates effective from" and the applicable date. For newer issues the two dates are the same.

Ms G says the "Rates effective from" statement might be misleading for consumers, making them think their older issue ISA has the better rate.

I don't agree. I think the first thing someone would read is the top line, and it's in bold. I think it's clear the rates below apply to accounts opened after a certain date.

For earlier issues, the "Rates for accounts opened from" also has a "to" indicating there are later issues. I think the website is clear in laying out what rates apply to which accounts dependent on when they were opened.

I can't comment on any other banks' websites, and whether these are clearer. Ms G says Sainsbury's website is misleading, but I don't agree.

Ms G said my decision doesn't seem to protect consumers. My role isn't to be a consumer champion or necessarily protect consumers. My role is to decide if Sainsbury's, in the specific circumstances of Ms G's complaint, has treated her fairly.

It seems Ms G would like to protect other consumers as part of her complaint. But I can only look at how Sainsbury's has treated Ms G.

I think Sainsbury's has treated Ms G fairly. Ms G's an existing customer and Sainsbury's has allowed her to benefit from the newer issues as they're released by redesignating her account via a phone call.

There's an alternative to this, online applications with drawbacks such as multiple open accounts, so I think asking Ms G to call in when she sees new rates is a reasonable thing for Sainsbury's to do.

Ms G has called in several times, and she's been able to redesignate her account several times, with the associated increase in interest rate.

Ms G has mentioned the threat of further regulation if interest rate rises aren't passed on to consumers. But Ms G's been able to benefit from increased rates offered by Sainsbury's.

This has involved some work from Ms G, to call Sainsbury's and redesignate her account, but I can't agree Sainsbury's isn't offering higher rates on newer issues of its variable rate ISA as the base rate increases.

And the threat of further regulation hasn't meant new rules for banks to follow, so I don't think Sainsbury's has done anything wrong on this point.

### **My final decision**

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 17 October 2023.

Chris Russ  
**Ombudsman**