

The complaint

Ms K complains that Coventry Building Society (CBS) reinvested her maturing Individual Savings Account (ISA) into a new four year ISA without her knowledge or consent.

What happened

Ms K had a fixed rate ISA with CBS which matured on 30 November 2022, but she says this was reinvested automatically in a new four year fixed rate ISA without her knowledge or consent, which she says is a breach of the terms of the original ISA, and the length of the new ISA was longer than the original ISA. Ms K says she received no communication about the reinvestment and there were postal strikes. Ms K contacted CBS on 30 December 2022, but they wouldn't allow her to transfer out of the ISA without a 180 day interest penalty. Ms K made a complaint to CBS.

CBS did not uphold Ms K's complaint. They said when she opened her fixed rate ISA they wrote to her at that time. Within their letter they confirmed that when her ISA matures, they'll write to her with the available options, and there would be a default option to reinvest her funds into a similar fixed rate ISA. They said they wrote to Ms K on 3 November 2022 to confirm that the ISA was maturing on 30 November, and they explained her options and that if she wanted to reinvest all of her funds automatically, she didn't need to return the form to them. CBS said she had until 21 December 2022 to pay in or withdraw funds without incurring any charges. CBS said as they didn't hear from her, they reinvested her funds into a fixed rate ISA until 30 November 2026 and they wrote to her on 5 December 2022.

Ms K brought her complaint to our service. Our investigator did not uphold her complaint. He said CBS had provided sufficient correspondence to alert Ms K about the ISA and they acted in line with the terms and conditions of the account. He said he could not hold CBS responsible for delays with any postal strikes and she had a 21 day cooling off period if she wanted to withdraw funds without penalty. He said they notified her of a change to the terms in 2021 which showed a longer term could be used for reinvestment.

Ms K asked for an ombudsman to review her complaint. She made a number of points. In summary, she said CBS breached clauses of the terms, and they failed to communicate deadlines to her. She said although our investigator mentioned the change of terms in 2021, she didn't think it was reasonable for CBS to change the terms of a product during the fixed term, when she would not be able to withdraw from the product without paying a penalty, and without them bringing this change much more clearly to her attention. She said they didn't send important time sensitive communications by email, such as the confirmation that they had reinvested the ISA, especially during a hugely disruptive postal strike.

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.

Firstly, I'm aware that I've only summarised Ms K's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. Our rules

allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I'd like to explain to Ms K that it is not within this service's remit to tell a business how to run their communications regarding their accounts such as when they should send an email as opposed to a letter – even if it is time sensitive. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct CBS to make changes to their policies and procedures, if necessary.

I've looked at the literature which Ms K was sent when she opened her fixed rate ISA in 2019, to see what it says about maturity. Section 11.1 of the terms say *"This account will mature at midnight at the end of 30 November 2022. We will contact you in writing at least 14 calendar days prior to the maturity date with details of your re-investment and withdrawal options"*. I can see from the letter CBS sent that this shows the date of 3 November 2022, so they did contact her in writing 27 days prior to the maturity date. I accept that Ms K would not receive the letter on this date as it would take time for it to be delivered. But even considering any postal strikes at the time, by sending this 27 days prior to the maturity date would give Ms K more time to consider her options. I could not hold CBS responsible for any postal errors or delays as this would be outside of their control.

I'm satisfied this letter is very clear. It shows her maturity date of 30 November 2022. It also gives her four options which include her taking some money out and reinvesting the rest with CBS or taking out all of her savings and closing the ISA. The letter informs her to fill in the relevant forms and either send them back to CBS or to call them by 30 November if she would like to do any of the below (such as closing the ISA/taking out some of her savings). The date she needed to take action with was in bold text, so I'm satisfied this was clear. Page two of the letter shows the date in bold text of 21 December 2022, of which Ms K could pay money in/withdraw all or part of her funds or close a new fixed rate ISA without charge as long as it was done before the end of 21 December 2022. So I'm satisfied they met clause 11.1.

Clause 11.2 of the terms of her original ISA in 2019 says *"Unless you instruct us otherwise prior to maturity, and subject to any changes in ISA Regulations, the funds in this account at maturity will automatically be re-invested into another ISA ('re-investment ISA')"*. So again, Ms K ought to have been reasonably aware when she opened the fixed rate ISA in 2019 that unless she instructed them prior to maturity (which she didn't), then the funds would be reinvested into another ISA. So she had clear notice that this was their procedure and it wouldn't go into an instant access ISA. The letter sent on 3 November 2022 reinforced this, that it would be reinvested into an ISA if she didn't send the forms back/contact them prior to 30 November 2022.

I've also looked at clause 11.3 *"The duration of the re-investment ISA will be no longer than the duration of this account. The withdrawal rights and notice periods that apply to the re-investment ISA, where applicable, will be no less favourable than the equivalent conditions of this account"*. Ms K's ISA in 2019 had a term of less than four years, but the reinvested ISA had a term of four years, so it would appear that CBS had not followed this clause, however, they had sent changes to her terms and conditions along with her statement in April 2021. And her statement references the booklet, so it would be unlikely it wouldn't have been included with her statement, otherwise it would have been proportionate for Ms K to contact CBS for this.

The booklet is clear in the contents that there are *"Changes to some specific terms"*. Page 11 of this document shows *"From 1 July 2021, we're also changing a clause in our fixed*

bond and fixed rate ISA terms which is part of how we explain what happens at the end of the fixed term. It currently says that the term of your re-investment bond will be no longer than the term of your maturing product. It now says the new term will be no more than six months longer than the current term, at the most - it may well be the same or shorter. The updated clause in the Specific Terms for fixed bonds and for fixed rate ISAs now reads: The duration of the re-investment ISA will either be shorter, the same or no more than six months longer than the duration of this account. The withdrawal rights and notice periods that apply to the re-investment ISA, where applicable, will be no less favourable than the equivalent conditions of this account". So I'm satisfied that CBS did inform Ms K of the change of the terms.

I've considered what Ms K has said regarding CBS changing the terms and conditions during the term of the fixed rate ISA. But companies are entitled to make changes to their terms and conditions as long as they provide sufficient notice to their customers. Typically this would be 30-60 days notice. And although the term of the new fixed rate ISA was longer (by five months – which would be within the timeframes given in the change to the terms), Ms K could have opted out of the new ISA as long as she informed CBS prior to maturity that she didn't want her funds reinvested into the new fixed rate ISA or within 21 days of the new ISA being opened. The penalty for both her matured ISA and new ISA was the same.

I've looked at clause 11.6 of the terms of the original ISA. It says "*If your funds are re-invested into a re-investment ISA on maturity, then we will contact you within 7 business banking days following the maturity date to confirm your re-investment. You will have the option to withdraw from or close your account without incurring any charge, within 21 calendar days following the maturity date (i.e. by 21 December 2022)*". CBS contacted Ms K via a letter dated 5 December 2022. This would be considered to be three business days after maturity. So I'm satisfied that CBS followed this term.

Although Ms K contacted CBS about the reinvested ISA, unfortunately this was after the cancellation period had expired. As such, I can't say CBS were unreasonable in refusing to waive the penalty – even though this was only days after the cancellation period had expired. So it follows I don't require CBS to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 2 October 2023.

Gregory Sloanes
Ombudsman