

The complaint

Mrs and Mr W complain that Coventry Building Society (CBS) did not communicate to them the interest rate reduction in July 2020, there was no movement in the interest rate from July 2020 until it switched to a different account, and there was no communication from CBS relating to the material change of treatment to the applicable interest rate in the period between July 2020-28 February 2023.

What happened

Mrs and Mr W say that their interest rate on their instant access account with CBS had reduced to 0.01% in July 2020 but remained at the same rate of interest despite ten Bank of England base rate increases. While they acknowledge the account does not track the base rate, they note the interest rate on the account had historically decreased at the time of movement in the base rate. They say that CBS did not send them any information regarding the reduction of the interest rate from 0.25% to 0.01%, and this has been acknowledged by CBS. Mrs and Mr W say that this meant that they received no personal notification of the rate on their account, and while the annual statement to savers listed all accounts held by an individual, it was not a specific communication highlighting this.

Mrs and Mr W say that CBS have breached the Financial Conduct Authority's (FCA's) Banking Conduct of Business Sourcebook (BCOBS) by not providing or making available appropriate information regarding a material change to any rate of interest, which will be to the disadvantage of a banking customer. Mrs and Mr W made a complaint to CBS. Mr W says he asked the staff member for a hard copy of his complaint, but she refused and told Mr W he would need to request a Data Subject Access Request (DSAR) to see this information.

Mr W says he received an email from CBS on 28 February 2023 advising them that their instant access account would be moved to an easy access account which would attract a higher rate of interest of 1.75%, which would come into effect on 1 March 2023. Mr W questioned CBS why his account was suddenly switched to a higher interest rate paying account, which Mr W felt at best was coincidental.

CBS partially upheld Mrs and Mr W's complaint. It said the instant access account was originally in Mrs W's sole name and Mr W as added as a joint account holder in July 2021. It said while the base rate is a factor that they consider when pricing its savings products, the interest rate is not directly linked to the base rate and so it's not the only thing it needs to think about. CBS said it reviews its individual accounts and compares where they sit in the market. It said Mrs and Mr W held other CBS savings accounts and they could've transferred the funds into these accounts at any time.

CBS said when Mrs and Mr W logged their complaint, it incorrectly told them that they didn't notify them of the interest rate change, as the change was for less than 0.25%. It also apologised for how long it took to complete its investigation, and it enclosed a cheque for £100. Mrs and Mr W brought their complaint to our service.

Our investigator thought the £100 cheque was fair. He said It was later discovered by CBS

that the email informing Mrs W the interest rate had reduced on the account from 0.25% to 0.01% had indeed been sent to her on 24 June 2020 at 10:54am, so he was satisfied that she was given notice that the interest rate was being reduced from 0.25% to 0.01%, and that a material change to the interest rate had been communicated to her in line with BCOBS guidelines. He said as there was no change to the interest rate at 0.01%, CBS were under no obligation to inform them of its decision not to increase the rate. He said annual statements were issued in April of each year, which clearly show the interest rates for each of the accounts.

Our investigator said that CBS were under no obligation to increase the interest rate in line with Bank of England rates. Other accounts with higher interest rates were available to Mrs and Mr W upon request as they were aware, and they have acknowledged. Mrs and Mr W asked for an ombudsman to review their complaint. They made a number of points. In summary, they said they had been told by CBS via the branch and head office that no rate change notification had been sent, whereas a cursory glance at a customer/account record would have confirmed the correct information, so they wanted to be sure the evidence CBS sent us had not been altered.

Mrs and Mr W mentioned the new Consumer Duty, and other regulation, including BCOBS 4.1 and Treating Customers Fairly (TCF). They said there was detriment caused by the handling of their account and applicable interest rate non-movement for the period in question despite ten base rate increases. They said any disadvantageous change, of a material nature, to the interest rate that applies to an account should be personally notified to the customer before the change comes into force.

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 Mrs and Mr W's complaint points. And I'm not going to respond to every single point made by them. No discourtesy is intended by this. 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 Mrs and Mr W that it is not within this service's remit to tell a business what commercial decisions CBS should make, such as what type of account should earn what interest rate (regardless of features or lack of features on an account), and regardless of any Bank of England base rate changes (or what other competitors interest rates are), or when/how it should make a commercial decision to simplify an account range and move customers' accounts to different accounts. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct CBS to make changes to its policies and procedures, if necessary.

Mrs and Mr W have mentioned the Consumer Duty. But as this was introduced after the events they have complained to CBS about, I'm unable to consider the Consumer Duty as part of this decision.

To help with the readability of this decision, I've documented Mrs and Mr W's three main complaint points from their original complaint in italics.

The absence of any communication from CBS regarding the interest rate reduction in savings interest rates by CBS in July 2020.

It's disappointing that Mrs and Mr W were told by CBS on two different occasions that there was a technical error which prevented Mrs W (Mr W was not a party on the account at this time) receiving the notification that the interest rate was reduced to 0.01% in July 2020. So I can understand that they may be sceptical about CBS now providing our service evidence of this. So I asked CBS to investigate why this happened to give Mrs and Mr W piece of mind that it did genuinely send this email to Mrs W prior to the interest rate decreasing.

It appears the issue was down to different systems being used as CBS introduced a new computer system in August 2021. The complaint handler reached out to CBS' marketing team, but their response led her to believe they hadn't sent out the email notification. When our service became involved, the complaint was reviewed by someone in its complaints strategy and change team, who had concerns Mrs and Mr W were told the incorrect information, so they asked a colleague in the strategy and insight team to check the former system they used for email delivery, and they found that they had sent an email to Mrs W and provided evidence of this to our service.

CBS have explained that this email doesn't appear to customer facing staff, so it wasn't possible for the complaint handler (or the branch staff) to see that it had sent this email to Mrs W. As the strategy and insight team had access to this previous system, this is how it has provided the screenshot with the information that the email was sent to Mrs W at her registered email address.

The information that I've seen on this evidence that the email was sent contains Mrs W's customer number, the name of the template it sent, the salutation that would have appeared on the email, the email address where it sent the email, a "Y" (to indicate yes) that the email was sent, the last four digits of her account, the date and time when it sent the email (24 June 2020 at 10:54am), and the subject of the email *"We're reducing the interest rate on your account..."*. CBS have confirmed that it sent this template on 24 June 2020 to every customer who held that particular account informing them of the reduction to their rate.

So I'm satisfied that the evidence shows that CBS notified Mrs W of the interest rate reduction. So Mrs W would have been aware that the interest rate was reducing to 0.01%, and as the email she received stated *"if you decide you'd like to move your money to a new account, you can do this without giving us notice or paying charges at any time"*. The email shows that she could move her account to a fixed rate which would usually pay a higher rate of interest and it also gives her a link to CBS' website for all of the savings accounts available at the time. There is also a section for if Mrs W had any questions.

I'm mindful that Mrs W may have missed the email/it went into a junk mail folder, but I can't hold CBS responsible for this – it had acted in line with the terms and conditions by it giving her 14 days' notice of the change, and they acted in line with the relevant regulation. It had treated Mrs W fairly by keeping her informed of a reduction of interest rate and there were no barriers for Mrs W to move this money to any account which she may have been able to earn a higher interest in. So I'm satisfied CBS acted in line with BCOBS 4.1.2 G (3) with regards to notifying customers of a material change to the rate of interest.

Mr W was added to the account in July 2021 when the interest rate was 0.01%. As CBS doesn't give advice on its savings products, the onus would be on Mr W to see if this was the best type of account for him, so it would be proportionate for him to check that he was happy with the account terms and conditions/the interest rate prior to him being added to the account.

I can see that CBS wrote to Mrs and Mr W to confirm Mr W was added to the account in a letter dated 23 July 2021. The letter also confirms the terms and conditions were attached with the letter. The letter also gave contact details if they had any queries. So if Mrs or Mr W

was in doubt what the interest rate was, or if they wondered whether there were any higher interest paying accounts, they could have queried this with CBS when Mr W was added to the account.

The absence of any communication from CBS relating to this material change of treatment to the applicable interest rate in the period July 2020 to 28 February 2023

While this was point three of the crux of Mrs and Mr W's complaint, I felt it was best to address this next. As I've already set out in the previous section, I'm satisfied that CBS did communicate the material change – the reduction of the interest rate on the account to Mrs W.

I've also mentioned that when Mr W was added to the account, CBS sent Mrs and Mr W the terms and conditions. There is a large section of the terms which section four is titled "*Interest, charges, and changes*". Within this section of the terms, there is a section which says "*We're open about our rates. The rate we pay on your account is explained in the information we give you before you open your account. To find out our current interest rates, visit our website (website address is provided), ask us in any branch or call us*". So if Mr W was not aware of the interest rate on the account prior to Mrs and Mr W choosing for him to be added to this account, then he was given information in the terms that they were provided with, to find out the interest rate online, or to contact them for this.

The terms also show on page 31 a section about "*Changes to interest rates, charges and terms*", which sets out when it can reduce/increase the interest rate. Page 33 of the terms shows "*How we let you know about changes to the interest rate*". This shows if it decreases the interest rate (like it did in 2020), that it would provide at least 14 days' notice (which it did in 2020). It also shows it can increase the interest rate as soon as possible (similar to in 2023 from when the email was sent to when the rate changed). But the terms do not state that it needs to inform Mrs and Mr W if the interest rate stays the same.

I've noted the strength of Mrs and Mr W's argument that CBS have not communicated with them about the interest rate between July 2020 – 28 February 2023. But CBS do not need to keep informing their customers if the interest rate stays the same. BCOBS 4.1.2 G (3) states the following:

"(3)

Where a firm proposes to exercise a power to make:

1. (a)
a change to any term or condition of the agreement; or
2. (b)
a change to any charge; or
3. (c)
a material change to any rate of interest;

that applies to the retail banking service and that will be to the disadvantage of a banking customer, the firm should provide reasonable notice to the banking customer on paper or in another durable medium before the change takes effect, taking into account the period of notice required by the banking customer to terminate the contract for the retail banking service."

The applicable wording here is "*where a firm proposes to exercise a power to make*" and "*a material change to any rate of interest*". But here, CBS was not proposing to exercise its power to make a material change to any rate of interest on this account. This is because the

interest rate did not rise or fall during the timeframe highlighted. So regardless of the base rate increases, CBS still did not propose to exercise its power to make a material (or any) change to the rate of interest on the account, and that is why they were not required to communicate to Mrs and Mr W constantly (or at all) to let them know the interest rate on the account was 0.01%.

So I can't say that CBS have broken BCOBS by not writing specifically to Mrs and Mr W with what their current interest rate was during this time. The terms also state how it would inform Mrs and Mr W if the interest rate rises or falls. So since CBS hadn't changed the interest rate on the account, I'm persuaded that Mrs and Mr W ought to have known the interest rate was 0.01% during this timeframe, and if they had any doubt about this, as set out in the terms, they could have found out this information by looking online, or by contacting CBS.

But CBS were required under BCOBS 4.2.2 (G) *"A firm should indicate the rate or rates of interest that apply to a retail banking service in each statement of account provided or made available to a banking customer in respect of that retail banking service."*

I can see that CBS have met this requirement in Mrs and Mr W's annual statements. And as they are addressed individually to Mrs and Mr W, there would be an opportunity for both Mrs and Mr W to see what interest rate they were receiving. While these statements look at the previous tax year, the statement shows the interest rate of the account in the same month the statement was sent to Mrs and Mr W.

As Mr W joined the account in July 2021, his first statement showing this account was in April 2022, covering the period 6 April 2021 – 5 April 2022. This statement is dated April 2022, so I would expect Mr W to have received this around this time. The statement was very clear that the account was earning 0.01% interest as of 5 April 2022. So while I would have reasonably expected Mr W to be aware of the interest rate when he joined the account, he could be in no doubt about what the interest rate was around the time he received this statement in April 2022. He would have also been able to see that other accounts he had with CBS were earning more interest. So he would have been able to take action at any time without restrictions to move the funds if he was dissatisfied with the 0.01% interest he was earning on that account.

Mrs W should have been aware of the reduction in the interest rate in June 2020 (to take effect from July 2020) from the email CBS sent her. But she also was sent a statement in both April 2021 and April 2022. While in April 2020, she would have been receiving a higher interest rate on the account, the April 2021 statement (covering 6 April 2020 – 5 April 2021) shows the interest rate of 0.01% for the account on 5 April 2021. So Mrs W would have been in no doubt what interest she was receiving when she received her April 2021 statement. It even shows two other accounts that she held with CBS which show they earn higher rates of interest. So if Mrs W was dissatisfied with the interest she was receiving on this account at the time, she would have been able to move it without restriction to a higher interest rate paying account.

So I'm satisfied that CBS did not break any regulations with what it did (or didn't do) during July 2020-28 February 2023 regarding the interest rate on the account. It made a commercial decision – which it's entitled to do – regarding the interest rate on the account. And I'm persuaded that Mrs and Mr W should have been reasonably aware of this based on the information CBS sent them during this timeframe (and prior to this for Mrs W). They had no barriers to leave this account, so I'm satisfied CBS treated Mrs and Mr W fairly, in line with the terms and conditions.

The absence of any movement in the interest rate on this account from July 2020 until 28 February 2023 (when the account was switched to another non-marketed account with the CBS Easy Access (Cash Card) and the rate increased from 0.01% to 1.75%.

As I've previously mentioned, CBS are entitled to make a commercial decision about what interest it should pay on its savings accounts. Mrs and Mr W were also perfectly entitled to move their money from the account to a higher interest paying account with CBS, or to move their money from CBS altogether if they weren't satisfied with CBS. Based on our remit and CBS' commercial decisions that they've taken, I'm unable to say it has made an error in the absence of any movement in the interest rate on the account from July 2020-28 February 2023, regardless of what its competitors might have done during this timeframe, or what CBS may have done with interest rates on other accounts it offers, or how many times the base rate has increased during this timeframe.

CBS emailed Mr W on 28 February 2023 to inform him that on 1 March 2023 the account would be moving to a new account and the interest rate would be moving to 1.75% gross variable. I know Mr W is sceptical about the timing of this email and the change could be a result of his complaint. CBS has denied this and it said it carried out the review of its instant access savings accounts completely independently of this complaint. The review formed part of its "*Simplifying Savings*" initiative which has sought to reduce the number of different account types it holds and to make them simpler for its customers to understand. So I'm unable to conclude that CBS have changed the way it operates due to Mrs and Mr W's complaint.

But I do think there were times when CBS let down Mrs and Mr W. It gave them incorrect information twice regarding sending Mrs W an email about the interest rate reduction. And it appears staff have speculated the reasons why the account remained at 0.01%, when they wouldn't have been involved with any discussions to keep the interest rate as it was. And I've considered what Mr W has said about not being provided a hard copy of his complaint when he asked for one. I asked CBS about this and it told me that it's not aware of any reason why the branch staff were unable to provide him with a hard copy of his complaint. So I'm persuaded the staff member could have provided him with this without him requesting a DSAR.

CBS paid Mrs and Mr W a £100 cheque previously for service failings and mainly for not informing Mrs W that it was reducing the interest rate (although it has found out it did do this now). I'm satisfied that this amount is proportionate for the service failings I've highlighted in the previous paragraph. So while I think the compensation was fair for different reasons than why CBS had originally paid this cheque to Mrs and Mr W, I'm also conscious that if Mrs and Mr W haven't deposited this cheque, then the cheque may have expired. So if Mrs and Mr W haven't deposited this cheque, I'm satisfied that it would be fair for CBS to cancel the original cheque and reissue them another cheque for £100 (or if it has the facility to make a payment direct to an account of Mrs and Mr W's choosing, then it could make a direct payment). But I don't require it to do anything further.

My final decision

Coventry Building Society has already made an offer to pay £100 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Coventry Building Society should pay Mrs and Mr W £100 (but only if Mrs and Mr W haven't already deposited the cheque). In the event they haven't deposited the cheque, Coventry Building Society may want to cancel the original cheque and reissue

another cheque for £100 – or make a payment direct to an account of Mrs and Mr W's choosing if it is able to facilitate this. But I won't be requiring it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs and Mr W to accept or reject my decision before 29 December 2023.

Gregory Sloanes
Ombudsman