

## **The complaint**

Mr B isn't happy with the way Sainsbury's Bank Plc operates his variable rate cash ISA account.

## **What happened**

Mr B has a variable rate cash ISA with Sainsbury's. He noticed that Sainsbury's was offering a higher interest rate for similar accounts on its website and asked what he needed to do to benefit from that rate. Sainsbury's said it offered higher rates to attract new customers and existing customers could ask to have their rate increased if they contacted Sainsbury's by phone or secure message. It increased the interest rate on Mr B's account, backdated to the date of his message.

Mr B complained that Sainsbury's wasn't applying increases in interest rates automatically. He thought that was unfair. He noted it had automatically applied increases and decreases in the past, which he believed created an expectation that increases would be applied automatically. Sainsbury's didn't uphold Mr B's complaint. It said it wasn't its policy to advise existing customers of interest rates it was offering to attract new customers. It said the terms and conditions of the account said that Sainsbury's don't automatically increase interest rates when new rates become available. And all rates are advertised on its website.

Mr B wasn't happy with this response. He thought Sainsbury's should do more to explain that it was the responsibility of its customers to monitor its website and apply for a better rate. So, he brought his complaint to this service.

Our investigator didn't think Sainsbury's needed to do anything more. They noted that the terms and conditions of Mr B's account said it wouldn't automatically change the interest rate on his account to match any different rates offered to new customers. And Mr B could take advantage of any higher interest rates advertised on Sainsbury's website by asking it to apply the new rate to his account. They were satisfied that Sainsbury's operated Mr B's account in accordance with its terms and conditions.

Mr B didn't agree with the investigator's view and asked for his complaint to be referred to an Ombudsman for a 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.

Sainsbury's was advertising a higher interest rate on an account that was the same as Mr B's – a variable cash ISA – but didn't apply that rate to his account or notify him that he could ask for it to be applied. So, I can understand why Mr B feels he's been treated unfairly. But, but based on the information I've seen, I don't think he has been. Let me explain why.

Sainsbury's offers different interest rates for newer issues of the account. And I don't think that, in itself, unreasonable. This is common practice across the industry so that businesses

can attract new customers.

Mr B's cash ISA pays a variable rate of interest which means it can go up or down. The terms and conditions of his account say that Sainsbury's might offer different rates for new accounts. And the interest rate of the existing account won't automatically change to match the new rates.

So, I'm satisfied Sainsbury's has let him know that rates won't always increase automatically. While Sainsbury's will sometimes increase rates automatically for its customers, that's a commercial decision for it to take. It also notifies customers if there's a decrease in the interest rate so they can decide if they want to find a better rate elsewhere.

So, I don't think Sainsbury's has acted unfairly by not automatically increasing the interest rate on Mr B's cash ISA account to the level it's paying new customers. But what of Mr B's concern that Sainsbury's is disadvantaging its customers by not explicitly telling them what they need to do to apply for an increase in the interest rate on their account. And expecting them to constantly monitor Sainsbury's website for interest rate increases and then ask for these to be applied?

On balance, I don't think it's treated him unfairly. Sainsbury's wasn't hiding the interest rates it was offering new customers as they were available on its website and in other media. And I don't think it was unfair of Sainsbury's not to let Mr B know directly, as an existing customer, about the newer issues of the account.

Mr B was able to call Sainsbury's and increase the rate on his account. Sainsbury's has said he could also apply online for the new issue, although I recognise there's much more administration needed to do this. Sainsbury's has explained that Mr B would need to open a new account, with a new account number, and transfer his ISA. This would also mean he'd need to complete a form to ensure he's transferring the right subscriptions for the right years.

The alternative option was to call Sainsbury's and it would simply change Mr B's existing issue of the variable rate ISA to the newest one, with the accompanying rate. This seems a fair thing to do, and good customer service, saving Mr B time.

I'm satisfied Mr B was proactively looking for better rates on his savings. Having done this, he found Sainsbury's was offering better rates for newer issues of his account. I don't think Sainsbury's was hiding these higher rates and they were available to him.

I don't think Sainsbury's acted unfairly by not automatically converting Mr B's account to the newer issue, in the same way as I wouldn't expect it to automatically transfer his account to a newer type of account simply because the rate is higher.

Once Mr B requested the newer issue of his account, I'm satisfied Sainsbury's did this promptly and the interest rate on his account was increased from the date he contacted Sainsbury's.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 August 2023.

Richard Walker

**Ombudsman**