

The complaint

Mr D complains that Coventry Building Society (CBS) automatically reinvested his funds from a matured ISA into another ISA which led to him being charged an early exit penalty charge when he transferred the funds. He would like the penalty charge to be repaid.

What happened

The details of this complaint are well known to both parties and the facts aren't in dispute. So I won't repeat them again here, instead I'll focus on providing my reasons for my 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 have decided not to uphold this complaint. I'll explain why.

I appreciate Mr D's frustration in incurring a penalty when he transferred his ISA funds. I have seen the various pieces of correspondence CBS sent in relation to this. When he opened his account, the terms stated that unless instructed otherwise prior to maturity funds would be automatically reinvested at maturity into another ISA. It also set out the charge if the funds were withdrawn after a cancellation/cooling off period and that the charge would be equal to 90 calendar days of interest on the money remaining in the account at the time of closure. So Mr D would have been aware of that when he opened the account.

Mr D was sent a pre-maturity email on 9 May 2023 letting him know that the ISA was due to mature and setting out options available to him. CBS have confirmed that between 9 May and 21 June 2023 Mr D accessed his online services three times, but he didn't provide any instructions on what he wanted to do with the ISA at maturity.

CBS has also sent a further letter to Mr D which said if it didn't hear back with further instructions, it would re-invest all savings into a similar account. As Mr D didn't go back to CBS with alternative instructions within the given timescale his funds were automatically transferred into another ISA as per the previous letters and original terms and conditions. I don't think CBS were wrong to do this, it had given notice of what would happen if no instructions were received, and none were.

CBS then sent a post maturity letter dated 5 June 2023 to confirm the reinvestment and this letter stated that he could withdraw his funds without penalty during the cooling off period. The cooling off period was detailed in the information CBS included with its previous correspondence. I appreciate Mr D says the penalty clause wasn't clear, but it was within the information sent. And I understand he did get the correspondence CBS sent. However, the letter of 5 June 2023 also said he could get in touch with CBS about the cooling off period. So, I do believe the information was available to him.

Mr D would have known the maturity date when he took out the ISA so would have been broadly aware of the timescale to decide what to do with the funds, and what would happen

if he didn't give instructions including what the potential penalty could be. If he wasn't clear he could have contacted CBS. As I don't believe that CBS has done anything wrong or that the penalty charge applied was unfair, I can't reasonably ask it to refund the penalty charge which it has applied in line with terms Mr D agreed to.

While Mr D will be disappointed with my decision, I won't be asking anymore of CBS here.

My final decision

For the reasons mentioned above, I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 December 2023.

Jag Dhuphar
Ombudsman