

The complaint

Miss G has complained about the actions of Lloyds Bank PLC when she transferred funds from a fixed rate cash ISA to another provider.

What happened

In December 2022 Miss G opened a two year fixed rate cash ISA with Lloyds offering an interest rate of 2.9%pa. A few weeks later, after the 14 days' cancellation period had passed, Miss G became aware that another bank was offering a fixed rate of 4%.

In January 2023 Miss G visited her Lloyds branch to discuss transferring her ISA to the other provider. She says that the Lloyds staff told her that because she was outside the 14 days' cancellation period, she would incur a penalty for transferring. Miss G recalls that she was told the penalty would be a loss of 180 days' interest, but no one could confirm exactly how much that penalty would be. When she spoke to one particular member of Lloyds staff, although the employee was not certain, she said the charge might only be about £50.

Following the discussion in the branch, Miss G requested the transfer. She has explained she was then shocked to see a penalty charge of £360. Miss G says if she'd known the charge was this much, she would not have requested the transfer. Dissatisfied with Lloyds' actions, Miss G complained.

In response Lloyds stated that the fixed ISA terms confirmed that in the event of early closure, a penalty of 180 days' interest would be applied. Because the request to close came after the 14 days' cancellation period, Lloyds considered it had acted appropriately. It commented that when the branch staff told Miss G about the loss of 180 days' interest if the account was closed early, this was correct.

Dissatisfied with Lloyds' response, Miss G brought a complaint to this service. She has suggested that if the Lloyds staff were not sure what exact penalty charge would be applied, they could have advised her to leave her funds where they were. Miss G has also questioned why Lloyds didn't confirm the exact monetary charge to her before the transfer occurred, allowing her the option to leave the money with Lloyds. She accepts that she made the decision to transfer, but because she'd been in the new fixed rate for a short period of time, she thought any charge applied wouldn't be that much.

Our investigator did not uphold this complaint. He concluded that Lloyds had told Miss G about the terms and conditions of the fixed rate ISA during the application process. He also considered that when Miss G visited the branch to discuss transferring her funds, she had correctly been told about the 180 days' interest charge that would be applied if she did so, even though she wasn't told how much exactly this would be when applied to her ISA. The investigator's view was that Lloyds was entitled to apply the charge that it did. Overall, he considered Lloyds had acted fairly.

Miss G disagreed with the investigator's assessment. She reiterated that when she enquired about transferring, no one at the branch could tell her how much 180 days' interest amounted to for her ISA. She questioned how she could be expected to work this figure out

if the branch staff were unable to. If she'd been contacted before the transfer took place and been told that the charge was £360, said that she would not have gone ahead.

Miss G said that she had done what she could to find out the penalty figure by visiting the branch, but because the branch staff couldn't confirm it, Lloyds had failed to keep her informed. Her reason for authorising the transfer was because one branch employee had said the charge might only be £50. Miss G confirmed her reason for making this complaint is that she was not informed by Lloyds that the charge would be £360.

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.

The crux of Miss G's complaint is that Lloyds failed to properly inform her about the charge that would be applied to her ISA if she decided to transfer her funds. Had it done so, she has said that she would not have chosen to transfer.

The terms of the ISA confirm that where the rate is fixed for two years, upon early transfer an amount equal to 180 days' interest will be deducted from the proceeds. Lloyds states that this information would have been provided to Miss G when she took out the fixed rate ISA. The terms also explain that this charge can result in the transfer amount being less than the sum initially invested.

Miss G accepts that when she went into the branch to enquire about any transfer charges in January 2023, she was told about the 180 days' interest charge. Her dissatisfaction relates to the fact that the branch staff couldn't tell her exactly what this amount would be. She has said that one Lloyds employee said the charge might only be £50. Clearly I cannot know for certain exactly what Miss G was told when she spoke to the branch staff. However, it would appear that the employee only said that the charge *might be* £50. There was no commitment that this would definitely be the charge.

Miss G has highlighted that the branch staff did not tell her exactly what the charge would be, in monetary terms, rather than in days' worth of interest. I understand the point that she is making, and I appreciate why she considers it would have been good customer service to have been told this exact figure. I also acknowledge what she says about deciding not to transfer if she had been told this amount. However, it seems from Miss G's description of her visit to the branch that the staff did explain to her that they didn't know exactly what monetary deduction would be applied to her funds upon transfer.

On balance, by confirming that the interest charge would be 180 days if Miss G chose to transfer, my view is that Lloyds acted reasonably. Being given that information left Miss G with the choice about whether she wanted to transfer her funds to the higher rate she had found, or leave them in the Lloyds fixed rate ISA. My view is that Lloyds was not obliged to contact Miss G with confirmation of the exact monetary sum that would be deducted as a charge once it had calculated this, in order to see if she still wanted the transfer to go ahead.

I have carefully considered Miss G's comments about how Lloyds handled her transfer, and I appreciate that my findings will likely come as a disappointment to her. However, based on the evidence provided, my conclusion is that Lloyds did not act unfairly when dealing with Miss G's request to transfer her ISA in the way that it did.

My final decision

My final decision is that I do not uphold this complaint, and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 23 October 2023.

John Swain
Ombudsman