

The complaint

Mr R complains that his ISA provider, Santander UK Plc, failed to provide him with a timescale for its advertised ISA, and when it became available, he had incurred a loss of interest and interest penalty from another provider.

What happened

In October 2022 Mr R applied to Santander to open an ISA at a fixed rate of 4.2% for two years with the aim of transferring his existing ISA at a lower rate with another provider. He called Santander on 21 October 2022 and asked about the delay, and was told he would hear within a few days. On 28 October 2022 Mr R called Santander and was told about a technical glitch with certain applications and it couldn't say when this would be fixed.

Mr R said he contacted Santander on 2 and 8 November 2022, but no progress was made, and Santander couldn't assure him he would still qualify for the ISA rate and any loss of interest may not be backdated. Mr R said Santander agreed to update him.

In November 2022 Mr R opened a new ISA with his existing provider at a rate of 3.6% for 2 years. He said he incurred 180 days loss of interest at about £570. On 19 December 2022, Santander opened its original ISA for Mr R, backdated to his application, and said that he should transfer the funds from his existing ISA.

Mr R said Santander couldn't assure him about compensation for his losses and he complained to Santander saying his wife's application for the same ISA was completed within five working days.

Santander responded to Mr R's complaint on 6 January 2023 and apologised for its delayed ISA and paid him £200 compensation. Santander said it couldn't justify paying for lost interest or a penalty as, had he put the funds in an instant access ISA he could have avoided a penalty. Mr R said he chose the best option due to Santander's delays and uncertainty as to whether it would compensate him for his losses. He rejected Santander's response as he said his concerns losses hadn't been addressed and the compensation didn't reflect the time and effort he had spent on his complaint. He referred his complaint to our service.

Our investigator didn't recommend the complaint be upheld. She said that since the initial response Santander has offered £200 more compensation, totalling £400, which she felt was a fair reflection of the impact of the two-month delay and the inconvenience this caused.

Mr R wasn't satisfied with the investigator's findings and requested an ombudsman review his complaint. He said Santander's service failings were extremely disappointing and he couldn't understand why there was no timeframe by which Santander was scheduled to resolve the technical glitch that was preventing the opening of the ISA.

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 key to Mr R's complaint is the actions he took in response to Santander's inability to confirm it would open an ISA on its advertised terms and backdate interest or pay the interest penalty he would incur on the new ISA he had opened.

Mr R still wanted Santander's ISA as it was a better rate. He has set out the detriment he has been caused, and said this is why he has maintained his complaint in the light of Santander's attempt to resolve the complaint by honouring the 4.2% interest rate, and offer to backdate this to the proposed start date of the ISA. Mr R wants Santander to pay the penalty of £1,375.64 and says he was caused stress over two months while trying to gain information about the ISA.

I can see from the records that Santander had technical difficulties which prevented it from opening Mr R and other applicants' ISAs. By their nature technical glitches are untoward and unexpected events that don't easily lend themselves to anticipated resolution dates. Santander couldn't assure Mr R the ISA would start as it didn't know, and he took an ISA at a lower rate with another provider. I think it was difficult for Mr R to decide on his best investment without knowing what Santander was going to do. However, Santander didn't commit to providing him with an ISA – its terms say the ISA can be withdrawn from sale at any time without notice - and it hadn't entered into a contract with him.

Santander was trying to overcome its technical problems and couldn't start Mr's ISA and so it was his choice, on his assessment of the risk of waiting for Santander, to open a new ISA with another provider at a lower rate. Santander's problems weren't helpful to Mr R, but I think it was fair and reasonable for Santander not to compensate him for the lost interest – particularly as it said it would backdate the interest on its ISA. Santander appears to have acted outside the terms of the ISA in making this offer.

Mr R was aware there would be a penalty to exit his ISA of 180 days loss of interest and decided to pay this. He wants Santander to reimburse this penalty, but it declined. Having considered the penalty, I agree with the investigator that although Mr R had reasons to open a new ISA with his existing provider, it was his own choice to take the risk in doing so and so I don't think it is fair for Santander to be liable for the financial loss involved in that decision. Mr R opened his alternative ISA before Santander was able to offer its product, backdated to Mr R's application.

I can see that Mr R went to considerable efforts to obtain information from Santander about its ISA from October 2022 to January 2023. He spent a lot of time on calls and branch visits and sometimes didn't receive promised calls back or updates. He said Santander should pay him £500 to reflect the stress and inconvenience of this and of completing his complaint to our service.

Our service does not award compensation for bringing a complaint and Santander has already offered Mr R £400 compensation for its delays. I'm satisfied that this represents a fair and reasonable reflection of the stress and inconvenience caused to Mr R by Santander's delays and poor service in commencing its ISA. If Mr R hasn't already received full payment of the £400 compensation, I recommend that he requests this from Santander.

My final decision

For the reasons I have given the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 30 August 2023.

Andrew Fraser
Ombudsman