

The complaint

Mr R complains that Al Rayan Bank PLC (“Al Rayan”) failed to treat him fairly when it placed his ISA into a dormant account status. He complains that the process to remove the dormancy was unduly onerous, and that Al Rayan provided him with incorrect information about transferring his ISA to another provider.

What happened

Mr R holds an ISA with Al Rayan. In May 2022 Al Rayan wrote to Mr R to warn him that his ISA would be placed into a dormant status unless a transaction took place within the next 30 days. Mr R says that he was out of the country when the letter was sent so didn’t receive it until after that period had expired. So his account was placed into a dormant status.

Mr R discussed how to remove the dormant status from his ISA with Al Rayan. He was told that he would need to provide the bank with proof of his identity. He was told he could do that by providing original documents at one of the bank’s branches, by sending the original document by mail, or by providing the bank with a certified copy of his identity documents.

Mr R says that none of those options were attractive to him. He says he lived a significant distance from a branch of the bank, and that he was unhappy with the cost, and security, of providing either original or certified copies of his identity documents via the post. He says that he thinks Al Rayan was only requesting these documents as a result of failures in its processes when he first opened the account, and the fine it had recently received for those failures from its regulator.

In December 2022 Mr R changed his home address. He says he called Al Rayan in January 2023 to ask for his address to be updated. He was told that wouldn’t be possible until the account had been moved from its dormant status. But he was told by Al Rayan that it would be possible for him to transfer his ISA to another provider. Mr R opened an ISA with another provider and asked that his ISA be transferred. In February 2023 Al Rayan refused that request. It said that the address on Mr R’s new ISA did not match the address that it held.

Mr R complained to Al Rayan about what had happened. Al Rayan told Mr R that it thought its process to make an account dormant, or for that dormancy to be removed, was reasonable. But it accepted that the information it had given him about the transfer of his ISA had been incomplete. So it paid him £50 for the inconvenience he’d been caused and the cost of getting his identity documents certified. Unhappy with that response Mr R brought his complaint to us.

Mr R’s complaint has been assessed by one of our investigators. He agreed that Al Rayan had acted fairly in relation to the dormancy of Mr R’s ISA. But he didn’t think the compensation that Al Rayan had paid Mr R for the inconvenience he’d been caused by the wrong information about the transfer had been sufficient. He asked Al Rayan to pay a further £50 to Mr R.

Mr R didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr R accepts my decision it is legally binding on both parties.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr R and by Al Rayan. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

It is important that all financial institutions have robust policies in place to protect consumer's monies from fraud. One part of those processes is how banks deal with accounts when it seems they have lost touch with the consumer – what are known as dormant accounts. Experience suggests that dormant accounts have a much higher likelihood of being targeted by fraudsters. So Al Rayan sets out in its terms and conditions that at times it will apply its dormancy approach to accounts.

In common with other organisations, Al Rayan isn't explicit about when, and how, its dormant account procedures will be triggered – to do so would provide a clear timetable to those with fraudulent intentions. But I am satisfied that having processes in place to protect customers in this way is within the scope of Al Rayan's legitimate commercial judgement and so not something I should interfere with here. And as I'll go on to explain, I'm satisfied Al Rayan exercised that judgement fairly and reasonably here

In May 2022 Al Rayan wrote to Mr R to warn him that it had identified his account was potentially dormant. It is unfortunate that Mr R was out of the country at that time and so didn't receive Al Rayan's letter until after the 30-day deadline it had set for Mr R to reactivate his account. But I don't consider that suggests Al Rayan did something wrong. It had no way of knowing that Mr R was out of the country at that time. Since it appeared it might have lost contact with Mr R it would have been more likely that his failure to respond to its letter simply underlined the dormant nature of his account. And sending correspondence of this nature to the last known address is exactly what Al Rayan's terms and conditions say it will do.

For the reasons I have explained above, once an account has been identified as dormant, it is important that a financial institution takes care to ensure that any consumer claiming ownership of the account is properly identified as the correct owner. Al Rayan would have had some details about Mr R as part of its original account opening processes. So it needed to confirm that the identity of Mr R when he claimed the account matched those it held of the account holder. It reasonably would do that by asking Mr R to provide some documents to confirm his identity.

Al Rayan provided Mr R with three options for him to provide his identity documents. He was told he could provide original documents at one of the bank's branches, send the original document by mail, or provide the bank with a certified copy of his identity documents. I appreciate that Al Rayan didn't have a branch near to where Mr R lived, but I think the options it offered were reasonable. Even though Mr R was right to be careful about the security of his identity documents it isn't unusual for such documents to be sent by post using the trackable "special delivery" service that Al Rayan suggested to him.

I have considered that some of the methods Al Rayan suggested would have involved Mr R needing to pay a small fee (for the use of the trackable postage service, or having his documents certified). But as I've explained earlier Al Rayan was acting within its terms and conditions and in a way that I consider was broadly fair and reasonable in order to protect Mr R's account from fraud. I don't think that the fact Mr R says he was unable to take advantage of the "free" option of taking his documents into a local branch means it wasn't fair for Al Rayan to insist on the other options it provided.

So I'm not persuaded that Al Rayan treated Mr R unfairly in making his account dormant, or in the steps it asked him to take in order to prove his identity and return his account to an active status.

Mr R moved house in December 2022 so naturally wanted to ensure Al Rayan held his correct address. But changing an address might also be an approach taken by fraudsters to gain access to a dormant account. So I think it was right that Al Rayan again asked Mr R to confirm his identity before making any changes to his account. I understand why Mr R would have been concerned about any statements or mail being sent to his old address, but as part of its dormancy process I understand that Al Rayan would suppress such mailings until it was sure it held a valid address again.

Al Rayan did suggest an alternative approach to Mr R if he didn't want to complete its identity verification exercise. It told him that he would be able to transfer a dormant account to a new provider. So Mr R opened an ISA with an alternative provider and asked that Al Rayan transfer his ISA to his new account.

But Mr R had obviously opened his new ISA using his new, updated, address. So when Al Rayan received Mr R's transfer request it failed its matching process – the addresses on the two accounts were different. So Al Rayan rejected Mr R's request.

I think that Al Rayan should have been more careful in the information it gave to Mr R. It should have made it clear to him that he would need to ensure that the address details on his existing and new ISAs matched in order that a transfer could complete successfully. Given that Mr R had tried, and failed, to get his address updated I think Al Rayan should have expected that the transfer would fail, and not suggested it to Mr R as a possible solution.

I understand that Mr R has now completed the identity verification process that Al Rayan required although it does seem that Mr R experienced some additional problems. But what happened at that time is the subject of a separate complaint to Al Rayan from Mr R so isn't something that I should deal with in this decision.

I think that the inaccurate information Al Rayan gave to Mr R about the transfer will have caused him some inconvenience. Had that information been clearer I think it unlikely that Mr R would have, at that stage, gone to the trouble of opening a new ISA with an alternative provider. As I said earlier Al Rayan has already paid Mr R £50 in compensation for that inconvenience. But, like our investigator, I think an additional payment is warranted. I think a

further payment of £50 (making total compensation of £100) would be fair in the circumstances here.

I appreciate that this decision will be disappointing for Mr R. But I don't think Al Rayan acted inappropriately when it moved his ISA to a dormant status. And I think it was reasonable for Al Rayan to ask Mr R to confirm his identity before the ISA was moved back to an active status. But I think Al Rayan should have provided clearer information about the transfer process, and so needs to pay some additional compensation to Mr R for the inconvenience he was caused.

Putting things right

I think that the inaccurate information Al Rayan gave to Mr R about the transfer will have caused him some inconvenience. Al Rayan should make a further payment of £50 (making total compensation of £100) to Mr R for the inconvenience he was caused.

My final decision

My final decision is that I uphold a part of Mr R's complaint and direct Al Rayan Bank PLC to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 11 March 2024.

Paul Reilly
Ombudsman