

The complaint

Mr S complains that Paragon Bank Plc (“Paragon”) failed to request the transfer of his ISA savings from another provider in a timely manner.

What happened

Mr S held an ISA with a firm that I will call H. He decided to transfer his ISA monies from H to Paragon in June 2023. So, in preparation for that transfer, he sold the investments he held in his ISA with H, so that that the transfer would be solely in cash.

Mr S sent his request for the transfer to Paragon by post on 21 June 2023. Paragon says that instruction was received on 27 June. But it appears that Paragon failed to correctly add the request to Mr S’ account so the transfer request wasn’t initially progressed. Mr S spoke with Paragon on 6 July, and received a reply on 10 July saying that his application had never been received. Paragon later corrected that incorrect information and requested the transfer from H on 17 July. The transferred funds were successfully received by Paragon on 20 July.

When Mr S first complained to Paragon it told him that its regulator expected transfers from a stocks and shares ISA to be completed within 15 business days. So it said that it thought the delays caused by it misallocating the transfer instruction meant that the payment had been delayed by two days. It paid Mr S £30 for the inconvenience he’d been caused when he was told the application had been lost. And it agreed to calculate the interest Mr S had lost due to the two-day delay. Unhappy with that response Mr S referred his complaint to us.

Before our investigator considered the complaint Paragon identified that it had only paid interest to Mr S based on a delay of one day. So it added a further interest adjustment to his account. But Mr S identified that adjustment was also incorrect. It had been calculated on the balance of Mr S’ account at that time, rather than the much higher amount that had been transferred. So he raised a further complaint with Paragon. Paragon responded to that complaint agreeing that some further interest should be paid. And Paragon paid Mr S a further sum of £35 for his inconvenience.

Mr S’ complaint was assessed by one of our investigators. She thought the delay caused by Paragon was much longer. She said that if nothing had gone wrong she thought the transfer would have completed by 10 July. So she asked Paragon to pay Mr S some additional interest for the extended delay. The investigator also said Paragon should pay Mr S a further £50 for the inconvenience he’d been caused.

In response to Mr S’ second complaint Paragon recalculated the interest he should have been paid. And it paid him a further £50 for the additional inconvenience he’d been caused. But Paragon didn’t agree with our investigator’s assessment. It pointed out that Mr S was likely to have received interest from H during the delay.

Our investigator issued an update to her assessment. She said some additional information provided by Mr S showed that the interest he had received from H was broadly equal to what he would have received from Paragon had the transfer been completed earlier. And she thought that the additional compensation Paragon had paid Mr S for his inconvenience was

fair. So she didn't think Paragon needed to do anything further in relation to this complaint. And she repeated those conclusions in a final summary assessment.

Mr S didn't agree with the final position reached by the investigator. He thought that it was incorrect to take account of a period of time when he'd received interest from H, and compensatory interest from Paragon. He thought those were two separate events. 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.

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 S and by Paragon. 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.

When looking at this complaint, and any compensation that Paragon has paid, or needs to pay, I think it fair and reasonable that I should consider the end-to-end resolution of the complaint. In simple terms Mr S has complained that Paragon unfairly delayed the transfer of his ISA monies from H. And he complains that, as a result of that delay, he lost out on some interest income. So here I need to decide whether there was an unreasonable delay to the transfer, and look at any interest that Mr S did earn compared to that he would have earned had nothing gone wrong.

Mr S says that he sent the transfer application form to Paragon by post on 21 June 2023. I have no reason to doubt that is true, but since Mr S hasn't provided any proof of posting, or used a trackable mail service, I cannot independently verify that posting date. Paragon says that it didn't receive the application form until 27 June. Again I have no reason to doubt what Paragon says. I accept Mr S' concerns that it seems to have taken an extended period for his application form to be delivered. But that doesn't mean the letter had been received by Paragon at an earlier date and simply been left unopened. It is just as likely that postal delays caused the late delivery. So on balance I think it reasonable to conclude that the application was sent, as Mr S says, on 21 June, but not received by Paragon, as the firm says, until 27 June.

I think it would be helpful at this stage to set out my understanding of how long transfers of this nature might take. There is no regulatory timetable set out, as from time to time, transfers might encounter unexpected difficulties and so be delayed due to no fault of the transferring parties. And where transfers involve the re-registration of investments, or investments need to be sold before a transfer can take place, timescales might be longer than for a simple cash transfer. It seems Mr S was aware of those issues and took the decision to encash the ISA investments he held with H so that the transfer would only involve a cash balance.

Paragon has said that its regulator allows it a period of 15 business days to complete a transfer of his nature. But I don't think any communications of that nature from the regulator provide a timetable, or expected length of time. Instead my understanding is that the regulator would expect any transfers to be completed as soon as possible, whilst of course balancing the need to treat all customers fairly and not give greater priority to one request than another.

I've looked carefully at what happened once Paragon received the transfer application. It seems clear that Paragon failed to correctly process Mr S' request. Initially Mr S was told his transfer application would be processed within five days. Then he was told the application had not been received and would need to be resent. And then, 16 days after the form had been received, Paragon identified that it had been misallocated to the wrong account so hadn't been processed. The request was then sent to H four days later, and the funds were received into Mr S' ISA after a further three days.

I think it reasonable that Paragon be allowed a period of time to deal with a transfer request of this nature. Paragon initially told Mr S that period of time would be around five business days, and I think that would match my general expectations for this type of request. But given the error that Paragon made when it first received the application it took far longer for the request to be sent to H. In total I think the delay caused by Paragon amounted to around two weeks – I think the request should have been sent to H by 4 July (5 business days after it was received on 27 June).

But there is then naturally a period of time that needs to be allowed for H to deal with the request, and for the funds to be sent to Paragon. Looking at what happened when the funds were actually sent, I think the funds would have been received by Paragon, had nothing gone wrong, on 7 July. So it is the period of time between when the funds should have been received (on 7 July) and when they were actually received (on 20 July) that I think I need to consider when looking at whether Mr S has lost out.

Mr S was earning interest at a rate of 3.6% on the monies he held with H. When his funds were transferred to Paragon, that interest rate increased to a rate of 3.98%. So, on the face of it, it would appear that a delay to the transfer would result in Mr S losing out.

But, as I said earlier, Paragon has already paid some interest compensation to Mr S. It has paid him two days' interest based on its assessment of when it would have been reasonable for the transfer to have completed. But, those two days' interest were paid in addition to the interest that Mr S earned with H on his monies before the balance was transferred. I have looked carefully at the overall interest that Mr S actually received (from H and the compensation from Paragon) and can see that it is greater than he would have received if nothing had gone wrong and the transfer had completed thirteen days earlier.

So on that basis I don't think Paragon needs to pay any interest compensation to Mr S. I have thought about what Mr S has said about the two interest payments relating to different matters, and therefore they shouldn't be combined when looking at any compensation. But I'm sorry to tell Mr S I don't agree. This was a single event – the delayed transfer of his ISA monies from H to Paragon. And his complaint was that he had lost out due to that delay. As I have explained above, his losses have been mitigated by the compensatory interest Paragon has paid (since it didn't meet what it considered to be a reasonable service standard), and the interest H paid to him whilst the funds remained with the firm. I think both of those payments solely happened because of the delay that I've set out above.

I have no doubts that this situation will have been frustrating for Mr S. He was given incorrect information by Paragon that caused him concerns that personal information had been lost in

the post. And he has needed to deal both with Paragon's failure to identify what I would consider to be a fair and reasonable estimation of the delay, and Paragon's failure, on two occasions, to correctly calculate the interest it had agreed to pay for the delay.

Overall Paragon has now paid Mr S £135 for the distress and inconvenience he has been caused. For the same reasons I've given above about the interest payment I think I should look at those payments, in total, as compensation for the initial error – namely a delay to the transfer. And having thought about what I would consider to be reasonable compensation in matters such as these I'm not minded that Paragon should be required to pay anything more. I think the compensation it has already paid to Mr S for his distress and inconvenience is fair in the circumstances here.

I appreciate my decision will be disappointing for Mr S. I share his conclusions that Paragon unreasonably delayed the transfer of his ISA monies. But I think the interest he earned from H during the delay, together with the compensatory interest Paragon has paid to him, are sufficient to fairly compensate Mr S for the interest he lost due to the delay. And I think the compensation Paragon has already paid to Mr S for his distress and inconvenience is fair.

My final decision

For the reasons given above, I don't uphold the complaint or make any additional award against Paragon Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 April 2024.

Paul Reilly
Ombudsman