

The complaint

Mrs S is unhappy that Newcastle Building Society (NBS) wouldn't allow her to withdraw the full balance showing on her account.

What happened

Mrs S wanted to withdraw the full balance of her account with NBS, which was showing on her account as being £6,200. But NBS wouldn't allow her to withdraw the full balance and said that this was because they had pre-credited interest to the account in advance which would now need to be deducted on a pro-rate basis. Mrs S wasn't happy about this, and felt she was being penalised for wanting to make a withdrawal. So, she raised a complaint.

NBS responded to Mrs S and confirmed that they were satisfied that they had administered her account correctly including flagging a deduction of pre-credited interest. Mrs S wasn't satisfied with NBS's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel NBS had acted unfairly in how they'd managed the situation and didn't uphold the complaint. Mrs S remained dissatisfied, so the matter was escalated to an ombudsman for a final 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 won't be upholding this complaint. This is because I'm satisfied that the fair outcome here is that Mrs S should only have received the interest on her NBS balance that she was entitled to receive. And I'm satisfied that by withdrawing interest that had been pre-credited to her account, but which Mrs S wasn't entitled to receive at the time that she wanted to withdraw the full balance of her account, that NBS were acting in accordance with that fair outcome.

Mrs S has said that NBS are penalising her for withdrawing money from her account and that she isn't interested in how NBS calculate interest on her account. But how NBS calculate interest on their accounts is the key factor of this complaint.

This is because NBS pre-credit interest to an account in some circumstances. This means that if an account holder attempts to withdraw the full balance of their account at a time that interest has been pre-credited to their account – as Mrs S was – then NBS should fairly and reasonably withdraw from the balance showing on the account the pre-credited interest amount which that customer is not yet entitled to. And this is what NBS have done.

This has been explained to Mrs S by both NBS and our investigator. As such, I won't go into detail here. But I will reiterate that I'm satisfied that NBS's actions are fair. And I'm similarly satisfied that Mrs S isn't being penalised by NBS for withdrawing money from her account, but only that NBS were deducting pre-credited interest from her account balance that she wasn't fairly entitled to at that time.

I appreciate that Mrs S may not have encountered such interest pre-crediting before. But this doesn't mean that NBS's decision to pre-credit interest in certain circumstances is unfair. And how a business such as NBS chooses to calculate and administer account interest is a commercial decision that business is entitled to make.

It should also be noted that had Mrs S had left the money in her NBS account until the period for which interest had been pre-credited to her had ended, she would then have fairly been entitled to that pre-credited interest amount.

Mrs S has suggested that she wasn't able to withdraw money from her account as she wanted to. But that wasn't the case. Rather, as the screenshots provided by Mrs S show, Mrs S could have withdrawn her money, but she would have incurred a deduction of £0.72, meaning that she would have received £6,199.28 rather than £6,200.00 – with that £0.72 being the fair withdrawal of pre-credited interest that Mrs S wasn't entitled to at the time she wanted to withdraw the full balance of her account.

As explained, I'm satisfied that this was fair. And conversely, to allow any individual to withdraw money they aren't entitled to is clearly and undisputedly unfair.

All of which means that I won't be upholding this complaint or instructing NBS to take any further action here. I realise this won't be the outcome Mrs S would like, but I trust that she'll understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 22 March 2024.

Paul Cooper
Ombudsman