

The complaint

Mr S complains about how National Savings and Investments (NS&I) presented the investment products that he invested in with it. In summary Mr S' concerns are:

- He thinks that when he had investments maturing with NS&I, it created a vacuum of information and a vacuum of alternative competitive/interesting products that it offered, which left him with little alternative but to re-invest or withdraw the money he already had invested with it.
- He considers the terms for the investments he had monies invested in that allowed reinvestment into new products to be unusual, and unduly influenced him to reinvest his maturing investments.
- He wants to be able to divest himself of some of his investments prior to the end of their investment term for altruistic purposes.
- He wants a number of questions surrounding NS&I's motivations for bringing its exit clauses into line with other fixed rate bonds, to be discussed. He thinks it was aware that inflation and interest rates were about to increase, and it saw an opportunity to lock savers into low interest rates.
- He wants this service to consider if it was fair of NS&I to induce its existing savers to reinvest their maturing investments concurrent with (a) a change in the products T&Cs, which would be inescapable prior to maturity and (b) coincident with a minimum in the interest rate cycle.
- He wants this service to consider whether NS&I's terms for the Guaranteed Income Bonds (GIBs) and Guaranteed Growth Bonds (GGBs), were unfair, in particular their unique term which induced existing savers to reinvest their GIBs and GGBs, at maturity. In effect, whether NS&I breached the financial business industry's equivalent of the Consumer Protection from Unfair Trading Regulations.
- He said NS&I had confirmed that it permitted holders of GIBs and GGBs to divest themselves of these two products for a period during the COVID 19 pandemic until February 2022. He didn't think this opportunity was brought to the general attention of holders of those two products. If it had been brought to his attention within this period, then he might have been able to avail himself of the opportunity to divest.

What happened

I've set out below a summary of what I consider to be the relevant events in relation to the complaint. In response to my provisional decision, Mr S has made a number of suggestions and comments in relation to the summary of events that I set out in my provisional decision, and which I have repeated below.

Where I have considered it appropriate to do so, I have incorporated some of Mr S' suggestions, but I won't have incorporated all of them. Ultimately it is for me to decide what I consider to be a relevant summary and record of events.

Mr S invested in NS&I's GIBs and GGBs. In May 2019, NS&I removed early exit T&Cs which had applied to these products. This meant that savers investing in these products couldn't encash the plans prior to the end of the product's fixed term.

Mr S held GIBs and GGBs which matured after 2019. He reinvested the maturity proceeds into new GIBs and GGBs between late 2019 and mid-2021. He's also said he commenced financial planning in readiness for his death, including considering the content of his will and specifying how his estate was to be distributed.

With the above in mind, in November 2022, Mr S wrote to NS&I. He explained that he had discovered that it might be possible on a case-by-case basis to prematurely exit post May 2019 GIBs and GGBs. He explained that he was asking for flexibility for altruistic purposes.

NS&I wrote to Mr S in response to his letter on 30 November 2022. It explained that withdrawal instructions could be provided 30 days leading up to the maturity date. During the pandemic it provided the option for GIBs and GGBs to be encashed penalty free. This was withdrawn in February 2022, and it only allowed repayment of a bond during its term due to exceptional circumstances. It didn't think his reasons for wanting to encash his bonds amounted to exceptional circumstances. Its interest rates were reviewed regularly.

In December 2022 Mr S wrote to NS&I again. As an alternative altruistic aim, he asked to switch his GIBs and GGBs to Green Savings Bonds (GSBs). He set out the background to his request and has said that this proposed investment was in an effort to support environmental causes. He said his correspondence sent in November was only an expression of interest in divesting himself of his GIBs and GGBs. He thought NS&I's response of 30 November 2022 had been interpreted as a definitive request to cash in the bonds, which wasn't the case. He was exploring an option. He went on to say that the option to encash during the pandemic hadn't been announced, and he thought he was irrevocably committed to hold his bonds until maturity.

He also said that he considered NS&I's unusual terms for GIBs and GGBs, unduly influenced him to re-invest his maturing GIBs and GGBs. He perceived the terms as meaning that if he cashed in the bonds, he wouldn't be able to hold GIBs and GGBs in the future. He set out the options he would like for disinvesting his bonds.

NS&I responded to Mr S in January 2023. It explained that it considered an expression of dissatisfaction to be a complaint. It said that his bonds couldn't be cashed in until maturity as per their terms and conditions. It reiterated that his reasons for wanting early repayment didn't in its opinion, amount to exceptional circumstances. It didn't think it was required to publish the option as it was considered exceptional due to the pandemic. The terms and conditions didn't change, so it said it wasn't required to send any literature as the option was exceptional due to the circumstances at the time.

Mr S then brought his complaint to this service to consider. His concerns were looked into by two of our investigators. The first investigator explained why they weren't upholding Mr S' complaint, as he thought NS&I had acted in line with the terms of the bonds. Mr S disagreed and asked for a copy of the complaint he had made to this service.

The case was subsequently allocated to another of our investigators. They wrote to Mr S and set out their understanding of his concerns. They then wrote to Mr S explaining why they weren't upholding the complaint. They referred to the T&Cs that explained that the bonds

couldn't be cashed in prior to maturity. They also said that allowing encashment of a bond during the pandemic was an exception provided to some customers who had been struggling financially. They didn't think Mr S' reasons for wanting to encash the bond were exceptional, and that he had made an informed choice to reinvest his bonds. And they didn't think NS&I had done anything wrong by allowing reinvestment of existing bonds.

Mr S responded to the investigator's view. He provided further information about what he thought was the limited availability of products at the time of the reinvestment. He commented on the absence of the future availability of the bonds he was invested in, and on the investment limits which he said were subsequently increased to £1,000,000 and made available to anyone. He thought he was left in a vacuum of important information at that time. He didn't think there were sufficient alternative investments from NS&I for him to invest in, other than reinvesting in the GIBs and GGBs. Overall, he felt that NS&I left him with little choice. He thought NS&I had better forward vision of what would happen to interest rates and he was induced to reinvest in maturing GIBs and GGBs, within an environment of a vacuum of information. He also said there was a maximum limit for GSBs, which could have been an alternative investment provided by NS&I.

The investigator wrote to Mr S again, in reply to the comments he had provided in response to the view. They said they couldn't comment on NS&I business conduct and could only consider if it had acted fairly and reasonably. They also said that there were other investment options offered by NS&I, that he could have invested in with variable rates and easy access. They said they couldn't hold NS&I responsible for his choices.

Mr S replied. He set out detailed comments on the first view the investigator had sent him. He reiterated his concerns and explained why he disagreed with the investigators assessment. He also provided another document which commented on the investigators understanding of his complaint and set out questions he believed needed to be answered in respect of whether NS&I had treated him fairly.

He also provided his comments on the second view that the investigator had sent him. In summary, he explained and reiterated that the principal component of his complaint was that what he thought was NS&I's unique term, inducing existing savers to reinvest their GIBs and GGBs at the time, was unfair.

As no agreement could be reached the complaint was referred for a decision. Mr S wrote to the investigator again reiterating his concerns. He also provided further information regarding his other investments. The complaint was subsequently passed to me to review. I asked the investigator to write to Mr S to clarify aspects of his complaint. Mr S didn't respond to that request by the deadline set. So, I proceeded with my consideration of the complaint, as I am entitled to do under the rules that apply to this service (*cf.* DISP 3.5.15R(1)); and issued my provisional decision.

Mr S provided his overall comments and observations on my provisional decision. In summary:

- Mr S explained the elements that he disagreed with, and why he didn't think my provisional decision was compatible with the requisite transparency to facilitate public scrutiny. He suggested additional or alternative wording.
- He explained he had been planning the dispersal of his estate and that my decision would impact that planning. Mr S went on to explain again how what he considered to be a restrictive information environment left him with three choices, which were to withdraw his funds and invest them in deposit products or switch his funds into alternative NS&I savings products or re-invest his funds back into GIBs and GGBs.

He explained his thinking in respect of each of the options.

- He commented on, and made suggestions in respect of my summary of his complaint, and on my summary of what I considered to be the relevant events in relation to the complaint.
- In respect of my findings, he didn't agree with what I had said about the main driver behind his concerns, or with what I had said about how he felt about the situation he found himself in. He reiterated that his original intention stemmed from the planning of the dispersal of his estate.
- He considered my finding in respect of the information regarding the withdrawal terms to be irrelevant, as he had confirmed he understood those terms. And he explained why he didn't agree with what I had said about the way the information about those terms had been presented, was an important consideration in the context of the fairness of the terms he complained about. He didn't think the limitations were hidden away, he was concerned about the paucity of information about the availability of GIBs and GGBs for savers with maturing products. He thought such savers should have been told that if they didn't want to reinvest into those products at that time, then they should be reserved an option to reinvest into GIBs and GGBs at a later time when they came back on general sale.
- He thought important information about the future availability of GIBs and GGBs was not conveyed, leaving a vacuum of information. He also said that the Bank of England had a target to maintain inflation at 2% so losing 1.5% a year wasn't unreasonable versus historic trends on devaluation of capital on deposit. But he thought capital devaluation at the rate of 1.7% and 1.9% a year for the shorter term GIBs and GGBs was unreasonable and exceptional.
- He said he wanted to access his funds so as to give them away to charities – gifting had nothing to do with obtaining a better financial return. His alternate choice, of switching to GSBs so as to ring-fence his funds to be used for environmental purposes would, coincidentally, have resulted in a better investment return until they subsequently matured, and became accessible for charitable distribution. In the interim, the higher investment return would have helped to mitigate the erosion of his funds' buying power through the effects of inflation.
- He wanted his funds to support charities as his preferred choice, or to support environmental initiatives as his second choice. If the latter choice incidentally resulted in a better return, that was only because his first, preferred, choice had been denied to him (and to charities).
- He said that I had implied that he wanted to divest himself of his GIBs and GGBs to improve his own financial position when that wasn't the case. He had never asked that any funds be returned directly to him. He wanted any refund to be paid to charities. His enquiry about GSBs was a secondary priority in his efforts to support charitable causes.
- He reiterated that he made his decision in an information environment where there was a paucity of information on the future availability of GIBs and GGBs, which he said created an environment which he perceived as if he didn't reinvest now, he might not be able to do so in the future. And he went on to say that if I thought his claim was outside of the remit of this service, why had it been considered. He thought as a result the majority of my decision was superfluous. And he asked the question as to whether the representation of this service's remit was disingenuous.

- He thought I might be confused or conflicted about his two underlying issues, which were in summary that firstly he wasn't looking for personal gain. Secondly, he didn't agree with the way NS&I had presented its offer to reinvest, which he considered to be a form of threat. And he said it then "subsequently rubbed salt in the wounds of those loyal savers" by making the same product available to other potential savers with no history of loyalty. And he suggested that I might want to restructure my decision to differentiate between the scope of his individual altruistic position and the scope of loyal savers who may have felt betrayed by the way he said NS&I had treated them.

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 have decided not to uphold Mr S' complaint. I'll explain why.

In reaching my findings, I haven't commented on every point of concern Mr S has raised. This reflects the informal nature of this service. Instead, I've focussed on the key issues I think I need to consider, in deciding whether NS&I did anything wrong. But I want to reassure Mr S and NS&I, that I have read and thought about, all the information and submissions that I have been provided with, including responses to my provisional decision.

Mr S has said that he thinks NS&I has breached financial statutory provisions equivalent to the Consumer Protection from Unfair Trading Regulations (CPRs). However, I don't have the authority to decide whether a commercial practice is unfair within the meaning of the CPRs, or whether any contractual term is unfair pursuant to any similar legislation. That would be a matter for the courts to decide. Also, any issues about what range of products NS&I offers, and how it operates and designs its products would be a matter of commercial judgement on its part, in conjunction with government borrowing requirements, together with its regulator to consider.

NS&I has explained how its interest rates are set, in the key features information for the GGB that I have been provided with. I have no reason to doubt that what it has said about taking into account gilt prices, Bank of England base rate, other interest rates in the financial markets and the government's borrowing requirements, wouldn't all be primary factors for it to consider when setting interest rates on its products.

In his responses to my provisional decision which I have summarised above, Mr S has reiterated his concerns. And he has questioned what I said in my provisional decision about the limits of what I can and can't do in relation to his complaint. It's disappointing to see that Mr S has questioned whether I have been disingenuous in what I have said. But, as I explained in my provisional decision, there are limits as to what I can and can't do in respect of Mr S' complaint. But as I have also explained, that doesn't mean I can't assess his complaint or provide an opinion which considers whether NS&I has acted fairly and reasonably in respect of the issues Mr S has complained about. It means that I won't necessarily look at the complaint in the way Mr S wants me to.

My overarching approach in considering Mr S' complaint, in line with the rules that govern how I must determine complaints; is to consider whether NS&I acted fairly and reasonably. And in doing so I have considered the relevant law and regulations, regulators rules and guidance, codes of practice and what I consider to have been good industry practice.

As well as raising his own concerns, Mr S has raised his concerns on behalf of “loyal savers” of NS&I. I and this service can only consider what has happened in an individual complaint. So, my focus is on what happened in respect of the investments Mr S complains about.

It seems to me that the main driver behind Mr S’ concerns is that he finds himself tied into investment bonds with NS&I, that provide fixed returns that are no longer competitive, when compared to returns that are currently available for similar investment products that it now provides. In his responses to my provisional decision, Mr S said that he wants to be able to divest himself of some of his investments for altruistic reasons, not for his own personal gain. In essence, he doesn’t think I have acknowledged that. In my provisional decision I said:

“Mr S has explained that he had altruistic reasons for wanting to access the bonds, as he wanted to obtain a better investment return. He wasn’t, and isn’t from the information I have seen, in financial difficulties. He has explained that he intends to leave the monies invested in the bonds to charities. I think that Mr S’ reasoning is indeed altruistic.”

I remain satisfied that Mr S’ reasoning for wanting to access his bonds wasn’t for personal gain, but to support his charitable estate planning, and that his reasons for wanting to access the bonds were altruistic. And for the avoidance of any doubt, I accept that he wasn’t looking for any surrender proceeds from his bonds to be paid directly to him.

Mr S has also said in his responses to my provisional decision that his primary objective was to access his funds so he could give them away to charities. He’s said obtaining a better investment return wasn’t his primary objective.

In his letter to this service of 16 March 2023 in support of his complaint, Mr S set out his concerns and the resolution he sought. He explained that he wanted to divest himself of some of his GIBs and GGBs prior to the end of their natural term. He said:

“It is my wish to re-invest any thereby released funds, into other NS&I products which have the capacity to absorb the released capital.”

He went on to say in his concluding remarks:

“I wish to leave my capital deposited with NS&I, but within product(s) which pay a fairer rate of interest in the current exceptional environment of severely damaging inflation.”

I don’t think therefore that what I said about Mr S’s objectives was incorrect. I accept that he has also said in correspondence that he wanted to give the surrender proceeds to charities. Either reason was with Mr S’s overarching objective to maximise what he could leave/give to charity. Ultimately, whichever of these objectives was Mr S’ priority, they don’t have an impact on my decision.

When Mr S reinvested the money from his maturing bonds, he did so without any advice from NS&I. It was his own decision to reinvest the maturity proceeds from his bonds back into new bonds with NS&I. So, I think the information NS&I provided to Mr S when he decided to reinvest into new bonds, would have formed an important part of his decision-making process. As a result, I’ve considered the documentation produced by NS&I regarding the terms of the bonds. Mr S has provided some of the documentation he received from NS&I.

Mr S thinks that NS&I didn’t provide him with all of the relevant information to enable him to make an informed decision about whether to invest in the bonds. He believes there was a paucity of information about the availability of GIBs and GGBs for savers with maturing products. He has acknowledged that he was aware of the terms and conditions for these

products. Mr S has reiterated that in his responses to my provisional decision. And he doesn't think these are relevant to his concerns.

I don't agree, as I think the way in that information was presented to Mr S is an important consideration in the context of his concerns about the fairness of the terms that he complains about. I say this because I think if important information such as any limitations on encashing the bonds were hidden away in the T&Cs, then that could constitute a degree of unfairness to Mr S. But, for the reasons I've explained below I'm satisfied that didn't happen in this case, and the important information Mr S needed to know, was presented in a way that was clear, fair and not misleading.

I'm satisfied that Mr S would have understood that unlike the previous bonds he had invested in prior to May 2019, the bonds he was reinvesting in, couldn't be encashed until the maturity dates. I say this because the main features summary leaflet for the GGB from November 2020, consists of two pages and sets out the main features of that bond. It has several sections with the headings in bold. I've set out below the section that provides information about the withdrawal of money from the bond.

Can I withdraw money?

No, a Guaranteed Growth Bond is a fixed-term investment that has to be held for the full term. This means that you won't be able to access your money until it matures.

We'll contact you to let you know your options at least 30 days before your Bond matures.

I am satisfied that the information regarding the withdrawal terms was set out prominently and clearly in this leaflet. I think Mr S would have understood that he wouldn't have been able to access his money until the bond matured; and that the investment had to be held for the full term.

In addition, there was a section that provided details of the interest rates that were available, who could invest in them, and the available investment terms. I've set out that information below.

Account name

NS&I Guaranteed Growth Bonds

What is the interest rate?

1-year term, Issue 67: only available to customers renewing a maturing Guaranteed Growth Bond or Investment Guaranteed Growth Bond

0.10% gross/AER

2-year term, Issue 59: only available to customers renewing a maturing Guaranteed Growth Bond

0.15% gross/AER

3-year term, Issue 62: only available to customers renewing a maturing Guaranteed Growth Bond or Investment Guaranteed Growth Bond

0.40% gross/AER

5-year term, Issue 55: only available to customers renewing a maturing Guaranteed Growth Bond

0.55% gross/AER

We calculate the interest daily and add it to your Bond on each anniversary of investment.

Again, I'm satisfied that the information regarding the interest rates for the bonds and who could invest in them, was set out prominently and clearly in this leaflet. So, I'm also satisfied that Mr S would have understood the applicable interest rate for the bonds he was investing

in, the interest rates for bonds that were also available for different investment terms, and that they were only available for customers renewing a maturing bond.

The key features document for the GGB from May 2019, consists of 16 pages. On page 2 of that document, the bonds key features are summarised. I've set out some of that information below in relation to the withdrawal term for the bond.

The investment's key features

- The Bond is designed to be held for the whole term. You can't cash it in before the end of the term

I have also been provided with a copy of the GIB and GGB key features documents from February 2023. On page 2 of those documents the bonds key features are summarised. I've also set out some of that information below in respect of the withdrawal term of the bond.

The investment's key features:

- The Bond is designed to be held for the whole term. You can't cash it in before the end of the term.

This information is in the same format as the GGB key features document from 2019. I am satisfied therefore, that it's more likely than not that the information regarding the withdrawal terms for the GIB, were also set out prominently and clearly in the key features document in 2019.

Mr S has also expressed concerns that the reinvestment of the bonds into new issues of the GGB and GIB, was only available to existing bond holders. He thinks this was an inducement to existing investors. And he doesn't think there were sufficient alternative investments from NS&I for him to invest in.

My understanding is that this is a term that NS&I has applied to some of its bonds for several years. In my experience it isn't uncommon for some financial products to only be made available to existing customers. I accept that Mr S may have thought that if he didn't reinvest into GIBs and GGBs, the opportunity to do so into those bonds might not be available to him the future. And that as he has said, this formed part of his own decision-making process.

However, I am not persuaded that NS&I treated Mr S unfairly by making reinvestment of the bonds into new issues of the GGB and GIB, only available to existing bond holders. And I don't think that any changes it made after Mr S invested in his bonds as to who could invest into new issues of the bonds, and how much they could invest, was inherently unfair either. I say this because it seems to me that this was a commercial decision for NS&I to make. And as I've already said, any issues about what products NS&I offers, and how it operates and designs its products; would be a matter of commercial judgement on its part, in conjunction with government borrowing requirements, and for its regulator to consider. Also, I think any changes it made to subsequent product design and terms after Mr S invested in his bonds, is unlikely to have been information that would have been decided or available at the time Mr S invested into his bonds. And I'm not persuaded from everything I've seen that changing the terms for a subsequent issue of the bonds that NS&I issued, was inherently unfair.

Mr S has also expressed concerns about the changes NS&I made to its products, coincided with interest rates being at a historical low rate. And he thinks NS&I had information that

inflation and interest rates were going to increase, and that savers were locked into low interest rates.

I don't agree with Mr S. I say this because there simply isn't sufficient evidence for me to make such a finding. At the time Mr S started to reinvest his maturing bond monies in 2019, interest rates were at near historical lows. And those rates remained low throughout the two-year period Mr S reinvested the bonds, until the middle of 2021.

Mr S has said that savers were locked into low interest rates. But as I have said, the decision to invest or not was one taken by Mr S based on his own investment objectives. NS&I didn't provide him with any advice. And I can't see how NS&I can fairly be held responsible for his personal decision to tie up his money in bonds for five-year terms, when as he has said, interest rates were at historical lows. I believe it was for Mr S to decide whether or not he wanted to invest in the products that NS&I offered. And it was down to him to make any investment based on his own view of the economic outlook for interest rates and inflation.

NS&I provided bonds with differing investment terms. The main features summary leaflet for the GGB that I have already referred to set out the available investment terms for the bonds that NS&I offered. And these ranged from one year to five years, with higher interest rates offered the longer the investment term. And for the reasons I've already explained, I'm satisfied that the important information provided to Mr S about the bonds, was done so in a clear and fair way that wasn't misleading.

It seems to me that if NS&I had wanted to "lock in" savers as Mr S has suggested, then it would have only offered bonds with longer investment terms and maturity dates. The fact that it offered bonds with differing investment terms ranging from one to five years, doesn't in my opinion support Mr S' argument. Ultimately, it seems to me that Mr S took the informed decision to invest for the maximum available five-year term, to increase the level of interest that he would receive. And that was in the knowledge, as he has said, that interest rates were at near historical lows. So, for the reasons I have explained, I don't think NS&I has done anything wrong which has led him to be in this position, or that there was a paucity of information provided to him.

Mr S has also expressed concern that he hasn't been allowed to divest himself of his bonds prior to the maturity dates, when this was something that NS&I allowed during the Covid 19 pandemic. And he says that if he had been made aware of this option prior to its removal in February 2022, then he would have taken advantage of this. I accept what Mr S has said about him wanting any surrender proceeds to be paid to charities rather than directly to him. But I don't think his altruistic intentions makes a difference, as I'm not persuaded that Mr S would have been able to take advantage of this concession, even if he had been made aware of it for several reasons.

In May 2020, the Financial Conduct Authority (FCA) published guidance to firms about how it should approach requests from customers, that contacted firms to request withdrawing funds from savings accounts that had restricted access. The guidance set out that it expected firms to treat customers fairly when it received such requests. But the guidance also made it clear that in meeting its obligations, it didn't require firms to offer access to all customers, or to offer unlimited access to funds in a restricted access account. Firms were free to form a judgement on a case-by-case basis, balancing their customers' needs with their own obligations. And the guidance made clear that in considering such requests, firms needed to consider a customer's vulnerability, and the impact that an inability to access funds would have on them.

Mr S has explained that he had altruistic reasons for wanting to access the bonds, as he wanted to pass the surrender proceeds to charities / obtain a better investment return /

invest to support environmental initiatives. He wasn't, and isn't from the information I have seen, in financial difficulties. And as I have acknowledged above, Mr S' reasoning is indeed altruistic.

But whilst I have enormous admiration for Mr S' reasons for wanting to divest himself of his bonds before the maturity dates in order to meet his charitable objectives, I don't think NS&I have acted unfairly in declining his request. I say this because the regulatory guidance it was operating under, was clearly aimed at customers who were experiencing some form of vulnerability and financial difficulty during the pandemic and had a financial need to be able to access these types of restricted access investments. So, given there was no financial difficulty imperative for Mr S to access the bonds prior to their maturity dates, I also don't think NS&I would have agreed to any such request from Mr S, if it had been received from him whilst the concession was in force. And I don't think if NS&I had declined such a request that would have been unreasonable on its part, given what I have said above about the FCA guidance provided to businesses.

My final decision

For the reasons I've set out above, my decision is not to uphold Mr S' complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 March 2024.

Simon Dibble
Ombudsman