

The complaint

Mr R complains about the rate of interest payable by Clydesdale Bank Plc trading as Virgin Money (“Virgin Money”) on the maturity of his fixed rate ISA. He doesn’t believe the interest rate to be fair.

What happened

Mr R opened a 1 year fixed rate ISA paying interest at 2.10% with Virgin Money which matured on 24 July 2023. On maturity the account changed to an easy access ISA with a variable interest rate of 0.25%.

Mr R complained to Virgin Money about the rate of interest it paid when his funds were moved to the easy access ISA on maturity of his fixed rate ISA.

Virgin Money didn’t uphold Mr R’s complaint. It says no error was made as Mr R didn’t provide it with any instruction on where to move his funds on maturity and so they were moved to its easy access ISA in-line with its terms and conditions.

Mr R was unhappy with this and so brought his complaint to this service.

One of our investigators looked into Mr R’s concerns and didn’t recommend his complaint was upheld as Virgin Money was entitled to set its own rates of interest and had applied the correct interest rates in-line with the terms and conditions of the account which were agreed to by Mr R when he opened the account. They thought the information Virgin Money had given Mr R about this was clear and if he was unhappy with this, he was given the opportunity to move his money elsewhere.

Mr R disagrees, he thinks given the rate of interest is below the Bank of England base rate that it isn’t a commercial decision and is just unfair and has asked for an ombudsman’s 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.

My role is to look at problems that Mr R has experienced and see if Virgin Money has done anything wrong or treated him unfairly. Our investigator has already given a detailed view on Mr R’s complaint and I don’t think there is anything much more of use I can add.

The crux of Mr R’s complaint is surrounding the interest rate received by Virgin Money customers on the maturity of its fixed rate products. Mr R believes the rate of interest Virgin Money pays is so far below the Bank of England’s base rate it is unfair and that it is profiting from its customers inertia. Before I go any further, I want to be clear in saying that I haven’t considered whether the various rates of interest Virgin Money pays are fair and reasonable, or in-line with the Bank of England’s base rate.

Ultimately, what rate of interest a business provides for deposits held with it and its reasons why is a commercial decision. Just like it is up to Mr R to decide whether to accept what Virgin Money is offering or to take his business elsewhere. Indeed, this is the mechanism Mr R and other customers have to challenge interest rates and encourage competition in the market.

This service doesn't supervise, regulate or discipline the businesses we cover - that's the role of the regulator, in this case the Financial Conduct Authority (FCA). And as we are not the regulator, I cannot make Virgin Money change the default rate of interest it pays or set guidance surrounding the minimum amount it must pay.

We do take however, relevant law and regulation into account when arriving at our decisions, but I should point out that The Consumer Duty is a new standard introduced by the FCA on 31 July 2023, and as such it doesn't apply to acts or omissions that occurred before this time and so I won't be looking at this in regard to Mr's complaint – but rather the principles laid out by the FCA at the time Mr R made his investment and when that matured.

The FCA doesn't tell businesses what interest rates they must pay either and so when coming to my decision I haven't looked at whether the rate of interest Virgin Money pays is fair. Instead, I've looked at whether the information Virgin Money provided Mr R on what would happen to his investment on the maturity of the account and the way it was communicated was fair, clear and not misleading. And I think it was.

The terms and conditions of the of the account that would've been provided to Mr R when he invested his money state that after the fixed rate period the account will become a variable rate cash ISA.

Furthermore, this was also explained in the Key Product document which is a condensed document intended to provide the most important features Mr R needed to consider when making his investment choice. Within this it states that after maturity the account will become a variable rate ISA and that it will write to you before the end of the fixed rate period to let you know the options available and advise of the variable interest rate payable.

I think a reasonable person would understand that the rate of interest applied at maturity when the funds are moved to a different account wasn't going to be nearly as high as the fixed rate. Indeed, Virgin Money is only offering this rate in return for a commitment to hold funds with it for a fixed period of time. And as Virgin doesn't set the Bank of England base rate and can't say for sure whether it will go up or down, I don't think it is unreasonable to provide a variable rate below this – businesses need to be able to adapt to the markets to remain both viable and profitable. If a customer is unhappy with the rate on offer, they have the option of moving their funds and investing elsewhere.

Before Mr R's account matured, he was sent an email on 12 July reminding him of this, informing him of the 0.25 % variable rate of interest that would be paid going forward and provided with a 7-day grace period giving him the time and opportunity to take action and move his funds to a product that suited him.

So, I can't say that Virgin Money has made an error or treated Mr R unfairly when on the maturity of his fixed rate ISA his funds were moved to an easy access ISA where he received a lower rate of interest, as this was in-line with the terms and conditions of the account and Mr R was informed of this before it happened and given the opportunity to move his money elsewhere.

So it follows, I do not uphold Mr R's complaint as I don't think Virgin Money has made an error or treated Mr R unfairly.

My final decision

For the reasons I've explained, I do not uphold Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 March 2024.

Caroline Davies
Ombudsman