

The complaint

Mr P is unhappy that National Savings and Investments (“NS&I”) won’t honour an interest rate on an investment that they mistakenly told him was guaranteed.

What happened

Mr P held a one-year investment with NS&I that was due to mature on 3 February 2024. Approximately a month before that maturity, NS&I wrote to Mr P and advised him of his reinvestment options at the point of maturity. These options included that Mr P could reinvest his money over a further one-year, two-year, three-year, or five-year term, with the interest rates for those options being 5.27%, 5.65%, 5.65%, and 5.37% respectively.

Shortly after receiving NS&I’s letter, Mr P called NS&I to discuss it with them. On that call, Mr P was told that the 5.37% interest rate for the five-year reinvestment option was guaranteed. But that wasn’t the case. Rather, as the pre-maturity letter that Mr P had received from NS&I had explained, that was only the currently offered interest rate, and if NS&I chose to lower its interest rates, it would be the interest rate that was available at the time of reinvestment – 3 February 2024 – that Mr P would receive.

Having been incorrectly told that the 5.37% interest rate was guaranteed, Mr P selected the five-year reinvestment option. But when he checked his NS&I account online a week later, he saw that his upcoming five-year reinvestment was now scheduled to benefit from the much lower interest rate of 3.11%. Mr P wasn’t happy about this, so he raised a complaint.

NS&I responded to Mr P and confirmed that he’d been incorrectly told that the 5.37% interest rate was guaranteed. NS&I also confirmed that the pre-maturity letter that Mr P had been sent had explained that the only guaranteed interest rate being offered was the one-year rate of 5.27%, and NS&I amended Mr P’s reinvestment instructions to take advantage of this one-year reinvestment offer with Mr P’s consent. NS&I apologised to Mr P for the incorrect information he’d been given about the five-year rate, and they made a payment of £125 to him as compensation for this.

Mr P wasn’t satisfied with NS&I’s response, so he referred his complaint to this service. One of our investigators looked at this complaint. They didn’t feel that NS&I should fairly be instructed to honour the five-year 5.37% interest rate Mr P had been incorrectly informed about. But they did feel that NS&I should pay a further £125 to Mr P – taking the total amount of compensation to £250 – because of what had happened. Mr P 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.

NS&I don’t dispute that Mr P was given incorrect information by their advisors about the interest rate available to him on the five-year reinvestment option, and they’ve apologised to Mr P and paid £125 compensation to him for this.

Mr P feels that because he was incorrectly told that the 5.37% interest rate was guaranteed, that NS&I should honour that rate for his five-year reinvestment. But I don't agree with Mr P's position in this regard and won't be instructing NS&I to provide that interest rate to him.

The main reason I take this position is that Mr P would never have been able to have obtained the 5.37% interest rate for a five-year reinvestment beginning on 3 February 2024.

This is because, as NS&I's pre-maturity letter correctly explained, the stated 5.37% interest rate was indicative only, and that if NS&I lowered its interest rates between the letter being issued and the date of reinvestment – which NS&I did – then it would be the interest rate available to Mr P on the date of reinvestment that Mr P would obtain. And because NS&I lowered their five-year interest rate from 5.37% to 3.11% not long after sending the pre-maturity letter to Mr P, but before his date of reinvestment, that was the only five-year interest rate Mr P would ever have been able to obtain.

This means that Mr P would never have obtained the 5.37% interest rate, because that rate wasn't being offered by NS&I when Mr P was due to reinvest his money. And while I can appreciate how it would be frustrating for Mr P to have been told that the 5.37% rate was guaranteed, NS&I's mistake in telling him that doesn't alter the fact that Mr P would never have been able to have obtained that 5.37% interest rate.

Accordingly, I don't accept Mr P's contention that NS&I's mistake has cost him several thousands of pounds in lost interest, because Mr P would never have been able to have obtained the 5.37% interest rate which he uses when making his loss calculations.

Instead, what NS&I did was give Mr P a false expectation and a false hope that he could have received the 5.37% interest rate over five years. And while I feel it's fair that NS&I should have apologised to Mr P for this, and paid him £125 compensation, I'm in agreement with our investigator that the £125 that NS&I have paid doesn't fairly compensate Mr P for the frustration and concern he's experienced because of this.

Our investigator recommended that NS&I should pay a further £125 to Mr P because of what happened. That feels reasonable to me, and I'm satisfied that total compensation of £250 more fairly compensates Mr P for the false understanding he was given about the interest rate available to him. And so, I'll be upholding this complaint in Mr P's favour on that basis.

Finally, I note that NS&I have amended Mr P's reinvestment instructions – with his consent – so that he could take advantage of the one-year reinvestment option, which as per Mr P's pre-maturity letter was guaranteed with an interest rate of 5.27%. This feels like a fair outcome to me, given the full circumstances of what happened here, and I don't feel that any further action is reasonably required from NS&I in this regard.

I realise this might not be the outcome Mr P was wanting. But I hope that he'll understand, given what I've explained, why I've made the final decision that I have.

Putting things right

NS&I must pay a further £125 to Mr P, taking the total amount of compensation to £250.

My final decision

My final decision is that I uphold this complaint against National Savings and Investments on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or

reject my decision before 1 August 2024.

Paul Cooper
Ombudsman