

## The complaint

Mr F complains about the way National Savings and Investments (“NSI”) handled his applications to gift premium bonds to each of his his four grandchildren.

## What happened

Mr F is an existing customer of NSI. Shortly before Christmas 2023 he bought four £1,000 premium bond gift cards, one for each of his grandchildren, whom I’ll refer to as G, E, M and A. He used a drop-down menu from his NSI to make the purchases, and he paid by debit card from his bank account. Mr F received cards for G and E, but not for M and A.

Mr F contacted NSI to try to resolve the issue, but was unable to do so before Christmas. This was important for him, as he had intended the gift cards to be Christmas presents. Mr F also objected to NSI’s suggestion that his daughter (the children’s mother) become involved. On or around 12 January 2024, £2,000 was returned to his bank account by NSI.

NSI subsequently explained that it had been able to apply the payments to the accounts held by G and E, as it already had evidence of their identity on file. Their bonds could therefore be entered in the prize draws in the usual manner.

NSI did not however have sufficient paperwork for M and for A. That meant that the bonds which Mr F had bought for them had to be treated as new applications, rather than as additional purchases for existing bond holders. NSI accepted that it had not handled matters as well as it should have done. In particular, it had not explained the issue clearly. It offered Mr F a total of £300 by way of compensation.

One of our investigators considered what had happened, but thought that NSI’s offer was fair and reasonable in all the circumstances. He didn’t recommend that NSI do anything more.

Mr F did not accept the investigator’s opinion. Amongst other things, he queried why £2,000 had been refunded and asked how M and A’s investments could be backdated, as NSI had suggested. They had, he said, missed the opportunity of winning any prizes in the draws since he had tried to make the investment.

The investigator sought clarity on those issues, but it was not possible to resolve Mr F’s concerns. The case was therefore passed to me for further consideration. I reviewed it and issued a provisional decision.

In my provisional decision, I noted that NSI had explained that the reason the purchases for M and A had not been processed was because it did not have full evidence of identity for them – although it did for G and E. NSI had said that, if Mr F still wanted to go ahead with those purchases, he could do so but, NSI would need suitable evidence of identity (which it has referred to as EOI). The purchases could then be backdated so that M and A would not miss out on the opportunity to be entered in earlier prize draws.

Mr F had asked how a purchase of premium bonds could be backdated, so I included an explanation in my provisional decision. I said:

*“The purchase can be backdated because ERNIE (Electronic Random Number Indicator Equipment), which generates prize numbers each month) generates many more numbers than there are prizes. That can include numbers which have not been allocated to premium bond holders or which have been cashed in. So, once M and A have been allocated numbers, it will be possible to check whether those numbers were selected in the months from February 2024. If they were, NSI says it will honour any win.”*

NSI also provided the bond numbers which had been issued for G and E, and said their accounts could be accessed by their mother, who is linked to them.

I concluded, like the investigator, that NSI’s offer of £300 was reasonable in the circumstances. Mr F remained unhappy. He has not renewed his purchase application for M and A, and their evidence of identity has not been updated. I have therefore reviewed Mr F’s complaint, as the final stage in 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.

Where premium bonds are bought for a minor, the name of a nominated Responsible Adult is linked to their account. The Responsible Adult for all four of Mr F’s grandchildren is their mother.

When Mr F sought to buy the gift cards for M and A in December 2023, his money was returned to him. He says he was given no explanation. But NSI has provided copies of letters it sent to their mother (as the Responsible Adult) and dated 11 January 2024. They were in identical terms, and said:

*Thank you for applying to invest in NS&I Premium Bonds for your child [xxx].*

*We recently wrote to ask you to send us proof of your child's identity within 21 days of your application. We ask for this for security reasons and to comply with Money Laundering Regulations.*

*As 21 days have passed and we haven't received the information we needed from you, we're sorry that we couldn't accept your application.*

*We've refunded your money in full to the account it came from, but we hope you choose to invest with NS&I in the future.*

In the circumstances, I think it more likely than not that those letters were sent, and that they referenced an earlier request for proof of identity.

NSI also referred to the need for proof of identity in a letter to Mr F dated 16 January 2024. That letter included:

*You were advised that we need to speak to the responsible parent in order to resolve the issue. If I may explain, current legislation means that NS&I, in common with all banks and building societies needs to confirm the identity and address of their customers to satisfy Money Laundering Regulations.*

*We are now required to verify the identity and address of our customers before we can accept an application to invest. To do this we usually make electronic checks with a credit reference agency however, we are unable to do this for overseas customers, which is why we asked for some documents to be sent to us by post.*

*Our records show we received your application to invest on 18 December 2023. Following this, communication were sent to the nominated parent to ask that a document is provided*

*as proof identity for [xxx] and [yyy]. The document needed to be received by us within 21 days following the date of purchase, in order for the application to be processed successfully.*

*Regrettably, as we had not received acceptable documents within in the allotted time, the application was cancelled.*

*I must explain that, should you choose to re-apply, further documents may be required. A list of acceptable documents and how to certify them correctly can be found by visiting [www.nсандi.com/which-documents-can-i-send-prove-my-identity-and-address](http://www.nсандi.com/which-documents-can-i-send-prove-my-identity-and-address).*

*Turning to your comment about not wanting to involve your daughter being the responsible parent for your grandchildren. If I may explain, when a purchase is made by a grandparent, we now send an updated Bond record to the nominated responsible parent or guardian, which provides them with full details of the recent investment and if additional information is needed for the children.*

At the time the accounts were opened, evidence of identity was not required for children. It is not clear why NSI had that evidence for two of Mr F's grandchildren, but not the other two. But I am satisfied that, by around the middle of January 2024, NSI had explained why the purchases for M and A had not been processed and what it needed to remedy the situation. The link in its letter to Mr F explains what documents are acceptable as proof of identity. I have no reason to think that, if those documents are provided, it will not be possible for Mr F to buy premium bonds for M and A and to have them backdated.

I do accept nevertheless that NSI did not explain things clearly to Mr F when he called to ask why the purchases had not been processed. It has acknowledged that and offered Mr F £300 by way of compensation, which I think is reasonable. I will however make a formal award, so that the offer remains open for acceptance and so that Mr F can enforce it, should that be necessary.

### **My final decision**

For these reasons, my final decision is that, to resolve Mr F's complaint in full, National Savings and Investments should pay him a total of £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 19 September 2024.

Mike Ingram  
**Ombudsman**