

The complaint

Mrs W complains on behalf of herself and her husband, Mr W, about the service they received from Paragon Bank Plc (“Paragon”) when attempting to open up ISA’s with it. In particular, they are unhappy about Paragon’s identification and verification (ID&V) requirements when opening an account.

What happened

Mr and Mrs W wished to apply for a 1 Year Fixed Rate ISA at 5.15% but when the application form was received the rate stated 4.95%. This was queried with Paragon who confirmed that the interest rate of 5.15% would be honoured.

Mr and Mrs W completed Paragon’s postal application forms and sent them off to Paragon. Mrs W received a letter dated 3 January 2024 advising that the funds had been requested from one of the two ISA providers they were transferring funds from. As there was no mention of the larger transfers they were making Mrs W phoned Paragon on 5 January to query it and was told they were still processing all the paperwork, but everything was in hand.

Paragon says it sent a letter on 15 January 2024 asking for Mr and Mrs W to provide identity and verification documentation (ID&V) and a signed and dated letter to confirm their address as there was a discrepancy. The letter enclosed a list of acceptable ID of which the originals could be provided by post or a clear copy by email. Mrs W says they never received this.

Mrs W phoned Paragon 26 January for an update and says she was told that letters had been sent on 15 January regarding its ID&V requirements and that fresh letters were being generated that day which provided the deadlines for the supply of ID&V. Paragon advised it could not proceed with the applications without the ID&V and the applications had been closed.

Mrs W complained to Paragon about all of this on behalf of herself and Mr W. She says she never received its letter of 15 January requesting the ID&V documents and that when they’d previously applied for an account in September 2019 their applications were processed without any delay as Paragon was able to carry out its checks electronically without asking for documentation. Mrs W was unhappy Paragon hadn’t updated their address and thinks Paragon should have rung or sent another letter to ask for the ID&V when it hadn’t received a response rather than just close the applications.

Mrs W spoke to Paragon on 31 January about her and Mr W’s joint complaint and Paragon’s ID&V requirements. Paragon’s complaint handler confirmed it was willing to honour the interest rate for a further 7 working days providing Mr and Mrs W provided the required ID&V documents. The complaint handler explained that they needed for identification purposes a driver’s license or passport the originals which could be posted or emailed. Mrs W was not happy with this as it was too restrictive and couldn’t see why their ID couldn’t be checked electronically. It was explained as the electronic checks had failed it was required to get ID. Mrs W felt the whole situation was ridiculous and the call ended with Mrs W asking for a final response to the complaint in writing.

Paragon sent a final response letter confirming what was spoken about and enclosed a cheque for £20 as a gesture of goodwill which was returned by Mrs W.

Mr and Mrs W were dissatisfied with this and so brought a complaint to this service. One of our investigators looked into their concerns but didn't think Paragon had treated them unfairly in its request for ID&V as businesses have legal and regulatory obligations they must meet and it's not our job to say what policies Paragon need to have in place to do this and so didn't think this element of the complaint should be upheld.

They also thought as Paragon had treated Mr and Mrs W fairly when it agreed to honour the initial interest rate of 5.15% originally discussed subject to the successful completion of the ISA transfer.

Furthermore, they didn't think it would be fair to hold Paragon responsible for the ISA not transferring due to address details not matching – as it is the customers responsibility to provide the correct address. They were satisfied Paragon tried communicating with Mr and Mrs W throughout the applications and didn't they think it could be held responsible for the failure of postal services.

Overall, they thought that Paragon's offer of £20 as a gesture of goodwill was a fair way to settle the complaint.

Mr and Mrs W disagreed and have asked for an ombudsman's 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.

I hope that Mrs W won't take it as a discourtesy that I've condensed this complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Our rules allow me to do that. The crux of what Mr and Mrs W are complaining about is the processes Paragon has in place for verifying its customers ID. In particular, they are unhappy that this has to be done when opening an account with it despite being previous customers.

I've listened to the phone recordings of the conversations Mrs W has had with Paragon and I'm satisfied the background above provides an accurate description of what was discussed.

It might be helpful for me to say here that, as we are not the regulator, I cannot make Paragon change its systems and processes – such as how accounts are opened or what ID needs to be supplied or how. We offer an informal dispute resolution service and we have no regulatory or disciplinary role.

Rather my role is to look at the problems Mr and Mrs W have experienced and see if Paragon has done anything wrong or treated them unfairly. If it has, I would seek – if possible - to put them back in the position they would've been in if the mistakes hadn't happened. And I may award compensation that I think is fair and reasonable.

Mr and Mrs W are unhappy that even though they were previous customers and known to Paragon it wouldn't open accounts for them without providing original ID in the form of a passport or driver's license by either post or email.

Although I wouldn't tell a bank or building society how it should run its business or what identification requirements it should have in place, I don't think Paragon treated Mr and Mrs W unfairly or were unreasonable when it was unable to verify their identity electronically and requested they verify their identities when they wished to open another account with it. Indeed, I'd expect Paragon to have systems in place to protect its customers against potential fraudulent activity and part of this is ensuring it is satisfied of its customers identity.

I appreciate these requirements are an inconvenience and how frustrated Mr and Mrs W are about all of this and that other banks or building societies might do things differently. But Paragon wasn't able in this instance to verify Mr and Mrs W electronically, so further information was needed. And I'm sure both Mr and Mrs W understand sometimes one has to spend some time dealing with personal administrative and financial matters that isn't always convenient.

Mr and Mrs W may not understand Paragon's reasoning for why it needs proof of identity of previous customers and the processes it has laid down to do this – and nor do I. But it is not up to me or her to determine what Paragon should accept as proof of ID in order to meet its regulatory obligations – that is entirely up to Paragon. Paragon gave Mr and Mrs W options to send in their documents by either post or email which I think is reasonable and as I haven't seen anything to suggest the same policy isn't applied to all its customers, I can't say Paragon has done anything wrong.

So on this basis I can't say that Paragon has done anything wrong or treated Mr and Mrs W unfairly when they failed to provide the documentation requested and so it didn't open their accounts.

I do however think that the service from Paragon could've been better – though I don't hold Paragon at fault for Mr and Mrs W not receiving the letter of 15 January – it did fail to record notes about the conversations it had with Mrs W regarding honouring the rate Mr and Mrs W wished to apply for. However, Paragon did agree to honour the rate and provided a further 7 working days for Mr and Mrs W to provide the requested ID and a cheque for £20 as a gesture of goodwill which I think is fair as I'm not persuaded any uplift on this is warranted or would make a material difference to the outcome.

So it follows I think Paragon has done enough to settle Mr and Mrs W's complaint and I'm not upholding this complaint.

My final decision

For the reasons I've explained, I've decided that Paragon Bank Plc has done enough to settle Mrs W's complaint and that it should honour the £20 gesture of goodwill payment should Mrs W wish to now accept this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 18 December 2024.

Caroline Davies
Ombudsman