

The complaint

Mr H is unhappy that Al Rayan Bank PLC didn't apply profit to his account deposit.

What happened

Mr H opened a one-year fixed term deposit ("FTD") with Al Rayan which paid an estimated 5.20% annual profit. In his application, Mr H stated that he intended to invest £155,000. However, Mr H subsequently only invested approximately £38,000. And when Mr H spoke with Al Rayan several weeks after depositing his £38,000 with them, he found that his money was in a holding account which didn't attract any profit. Mr H wasn't happy about this, so he raised a complaint.

Al Rayan responded to Mr H and explained that, as per their account literature, when an FTD is opened, any deposits an investor makes are held in a holding account until such time as the full pre-stated investment amount is received, at which time the FTD commences. Al Rayan also explained that because Mr H hadn't deposited £155,000, as per his application statement, that was why the £38,000 he had invested remained in a holding account. Mr H wasn't satisfied with Al Rayan's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They didn't feel that Al Rayan had acted unfairly in how they'd administered Mr H's account. But they did feel that Al Rayan could have communicated with Mr H more clearly about the status of his money, and so recommended that Al Rayan should pay £100 to Mr H as compensation for any trouble or upset this unclear communication had caused. Al Rayan accepted the recommendation put forwards by our investigator, but Mr H did not. 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.

Having done so, I don't feel that Al-Rayan have acted unfairly or unreasonably in any way here. And if Al Rayan hadn't already accepted the recommendation of our investigator to pay £100 to Mr H and hadn't already notified Mr H of their intention to pay him £100, then I'd be reversing the outcome suggested by our investigator here and not upholding this complaint.

One reason I take this position is because the account opening letter that Al Rayan sent to Mr H, and which Mr H has confirmed that he received, includes the following:

"Although your account has now been opened, you may still need to deposit your funds into your account. As part of your application you stated that you intend to deposit £155,000. Please see the making a deposit section for details on how to do so."

The 'Making a deposit' section of that letter then states:

“As part of your application you stated that you intend to deposit £155,000, please ensure you deposit this in full in order for us to transfer the funds from your holding account to your 12 Month Fixed Term Deposit Account. If you do not do this, there may be a delay in processing your funds.”

Furthermore, the letter also explains about the holding account as follows:

“As part of opening your 12 Month Fixed Term Deposit Account we will open a holding account for you. The purpose of a holding account is to hold your money for a very short period while we process the opening of your account on our system.”

Finally, in bold letters, the letter confirms that:

“After you have made your initial deposit into your 12 Month Fixed Term Account, you will not be able to make further deposits.”

In consideration of the above, it seems clear to me, and I feel that it reasonably should have been clear to Mr H, that any funds Mr H deposited to Al Rayan would be held in a holding account until such time that Mr H deposited the full amount that he'd said he would deposit in his application – £155,000.

This is because Al Rayan needed to begin the FTD with a single deposit – the £155,000 that Mr H had stated he would invest – because once the FTD was set up with an initial deposit, no further deposits would be allowed.

Accordingly, it seems fair and reasonable to me that Al Rayan wouldn't have set up the FTD with the £38,000 that Mr H deposited with them. This is because Mr H didn't give them any indication that he no longer intended to invest £155,000 and now only intended to invest £38,000. And because in the absence of any update from Mr H, Al Rayan were waiting for Mr H to deposit the remaining money with them that he'd previously stated he would.

Ultimately, it isn't Al Rayan's fault if Mr H didn't either fully read or fully understand the letter he was sent and the nature of the product he was investing in. And it also isn't Al Rayan's fault that Mr H didn't invest the amount he'd said he would invest and that he didn't inform Al Rayan that he no longer intended to invest that £155,000 he'd previously said that he would.

Indeed, it was Al Rayan themselves that reached out to Mr H to ask about his ongoing intentions regarding the FTD, and it was only because Al Rayan did so that Mr H told them that he no longer intended to invest £155,000.

However, given that the nature of this account is that an investor is reasonably expected to deposit the amount into the account that they've stated they will deposit, I don't feel that the accountability for the fact that Mr H's £38,000 remained in a holding account which didn't attract any profit should sit with anyone other than Mr H.

Al Rayan have now agreed to open a new FTD for Mr H for the £38,000 that Mr H had deposited with Al Rayan, and to backdate the opening of that account to when Mr H first applied for an FTD and stated that he intended to invest £155,000. This feels very generous to me, given that I'm satisfied that Al Rayan didn't make any mistake here, as does Al Rayan's agreement to pay £100 to Mr H as compensation for the communication he received from them, which in opinion was both clear and of a good standard.

However, given that Al Rayan have generously agreed to pay £100 to Mr H, I must uphold this complaint against them to formally instruct them to pay the £100 to Mr H that they've already agreed to pay. I can only commend Al Rayan on their commitment to customer

satisfaction in this regard.

Putting things right

Al Rayan must make a payment of £100 to Mr H.

My final decision

My final decision is that I uphold this complaint against Al Rayan Bank PLC on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 25 December 2024.

Paul Cooper
Ombudsman