

The complaint

Mrs P isn't happy that Santander UK Plc paid a bill from her ISA instead of from her current account.

What happened

Mrs P went into a Santander branch and asked to pay a bill of £1,570.68 from her current account. However, Santander accidentally paid the amount from Mrs P's ISA. Mrs P wasn't happy about this, especially as HMRC wouldn't allow her to put the £1,570.68 back into her ISA. So, she raised a complaint.

Santander apologised to Mrs P for what had happened and paid £50.56 to her as loss of interest that she would have accrued on the £1,570.68 had it remained in her ISA. And Santander also paid a further £50 to Mrs P as compensation for the upset and trouble the matter had caused. Mrs P wasn't satisfied with Santander's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they felt that Santander's response to Mrs P's complaint already represented a fair resolution to it and so didn't uphold the complaint. Mrs 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.

I issued a provisional decision on this complaint on 7 November 2024 as follows:

I don't feel that Santander have fairly calculated the potential loss of interest that Mrs P might incur here because the 1,570.68 was incorrectly removed from her ISA.

In scenarios such as this one, this service would expect Santander to calculate loss of interest based on the difference between what Mrs P would have earned in her ISA (4.5%) and what she could have earned had she transferred the £1,570.68 from her current account to a savings account once the payment was incorrectly made from her ISA.

In this instance, Mrs P doesn't have a savings account with Santander, and where this is the case this service would expect Santander to use an assumed savings rate of 2.5%. This means that this service would expect Santander's loss of interest calculation to be based on 2% per year (4.5% ISA rate minus 2.5% assumed savings rate).

Additionally, this service would expect Santander to reimburse Mrs P for five years of loss, compounded. This is because this service doesn't feel that it can be guaranteed that ISA savings will remain in an ISA for longer than this, given that financial circumstances can change and given that if a financial emergency does occur, ISA funds are easier to access than less accessible investments, such as property value, etc.

Accordingly, in consideration of this service's expectations, I calculate Mrs P's reimbursable loss here to be as follows:

Year 1:	2% of £1,570.68 =	£31.41
Year 2:	2% of £1,602.09 =	£32.04
Year 3:	2% of £1,634.13 =	£32.68
Year 4:	2% of £1,666.81 =	£33.34
Year 5:	2% of £1,700.15 =	£34.00
Total:		£163.47

Accordingly, I'll be provisionally upholding Mrs P's complaint and instructing Santander to pay this amount to Mrs P, minus the £50.56 that they've already paid to her. This equates to a further payment of £112.91.

Furthermore, I don't feel the £50 that Santander have paid to Mrs P in consideration of the trouble and upset that she's incurred does fairly compensate Mrs P for what happened here. And so, I'll also be provisionally instructing Santander to pay an additional £50 to Mrs P, taking the total compensation amount to £100, which I feel more fairly recompenses Mrs P for the poor experience that she's had to endure.

Santander responded to my provisional decision and noted that in April 2024, at the time of the event in question, Mrs P's ISA had only been paying 3.2%, and that Mrs P upgraded her ISA in July 2024 such that it now pays 4.5%. And Santander questioned whether my calculation shouldn't be adjusted to account for this.

However, the methodology that this service uses in calculations such as this is intended to fairly recompense Mrs P for the interest that she will no longer be able to receive for five years. And, in this instance, we have the benefit of knowing that Mrs P was able to upgrade her ISA to one which pays 4.5% and that she did so only a few months after the payment mistakenly left her ISA account. It would therefore seem illogical to me to base an interest loss calculation on a lower rate of interest than the rate we know Mrs P achieved.

As such, I see no reason to adjust my calculation here. And while it may be the case that ISA rates may decrease during the five-year term that this service calculates ISA interest losses, it's also the case that rates may increase. And it also may have been the case that Mrs P would have kept her money in the ISA for longer than the five-year timeframe that this service utilises for calculations in circumstances such as this.

All of which means that I see no reason not to issue a final decision here whereby I uphold this complaint in Mrs P's favour on the basis as explained in my provisional decision letter above. And I therefore confirm that my final decision is that I do uphold this complaint on that basis accordingly.

Putting things right

Santander must pay £162.91 to Mrs P. This amount comprises of £112.91 further interest loss and £50 further compensation.

My final decision

My final decision is that I uphold this complaint against Santander UK Plc on the basis explained above.

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

Paul Cooper
Ombudsman