

The complaint

Mr G is unhappy that HSBC UK Bank Plc won't allow him to make partial transfers from his Help-To-Buy ("HTB") ISA account.

What happened

Mr G held a HTB ISA, which attracts a bonus paid by the UK Government on the balance of the ISA up to £12,000. Recently, because of monthly interest payments, Mr G's HTB ISA balance has exceeded £12,000, and Mr G had wanted to make small partial transfers out of the HTB ISA on a monthly basis to leave the balance of the HTB ISA at exactly £12,000.

Mr G's reason for this was that the HTB ISA balance over £12,000 didn't qualify for the Government bonus, and the HTB ISA didn't offer as beneficial a rate of interest as other available ISA products. And this meant that Mr G wanted to transfer the balance of his HTB ISA that exceeded £12,000, following the accrual of monthly interest, to another ISA product, where it would earn a better rate of interest than if it remained in the HTB ISA.

However, HSBC declined Mr G's first request to make a partial transfer. And HSBC explained that this was because HSBC's policy for HTB ISAs was that partial transfers were only permitted if the funds were being moved to a Lifetime ISA, which wasn't the type of ISA that Mr G had wanted to make the partial transfers to.

Mr G wasn't happy that HSBC had declined his partial transfer request and raised a complaint. And Mr G noted that there was nothing in the terms and conditions of HSBC's HTB ISA that said that partial transfers of the type he wanted to make weren't permitted.

HSBC responded to Mr G and confirmed that the partial transfer restrictions on HTB ISAs wasn't included in the HTB ISA terms and conditions but was an internal HSBC policy. However, HSBC acknowledged that they hadn't processed (and rejected) Mr G's partial transfer request in a timely manner. HSBC apologised to Mr G for this and paid £100 to him as compensation for any trouble or frustration he may have incurred as a result. Mr G wasn't satisfied with HSBC's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They felt HSBC's payment of £100 compensation for the processing delay was fair. But they didn't feel that it was fair that HSBC had denied Mr G's partial transfer request based on an internal policy that wasn't part of the HTB ISA terms and conditions and that Mr G couldn't have been aware of when he opened the HTB ISA account.

Because of this, our investigator said HSBC should pay Mr G the difference in the interest that he would have earned, had he been allowed to have made the partial transfer, to what interest the requested partial transfer amount had earned having remained in the HTB ISA.

Mr G didn't feel that the view of this complaint put forward addressed the key issue of his complaint, which was that his HTB ISA balance was earning interest monthly that took the balance of the ISA over £12,000, and that he wanted to be able to transfer the excess ISA balance above £12,000 out of the HTB ISA on a monthly basis. As a result, the matter was

escalated to an ombudsman for a 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 29 November 2024 as follows:

I feel that Mr G's grievance here is a valid one. This is because it makes sense to me that Mr G would want to transfer the balance of the HTB ISA that is over £12,000 out of that ISA to one which provides a better rate of interest.

Because HSBC pay interest on the HTB ISA monthly, this means that every month Mr G receives interest on his HTB ISA that takes the balance of that ISA over £12,000, meaning that he would like to make a partial transfer out of the HTB ISA on a monthly basis.

Furthermore, HSBC accept that there's nothing in the HTB ISA terms and conditions that prevents regular and repeating partial transfers out of the ISA as Mr G would like to make. And HSBC also accept that their declining Mr G's partial transfer request was based on an internal HSBC policy that Mr G couldn't have been aware of when he opened the HTB ISA because it isn't included in the product terms and conditions.

In consideration of this I've liaised with HSBC and asked them to make an exception to their internal policy in Mr G's regard. HSBC agreed to this request, on the condition that Mr G signed a disclaimer which confirmed he accepted all liability for any adverse consequences that might arise from the partial transfers – which Mr G has signed, and which has now been returned to HSBC.

I also asked HSBC to allow me to consider Mr G's complaint as being regarding all instances of monthly interest accrual that have (or would have) taken the balance of the HTB ISA over £12,000, rather than my being restricted to considering only the monthly interest accrual up to the date of HSBC's response to Mr G's complaint. This was so that Mr G wouldn't need to raise a separate complaint for the further interest accruals that took place after the date of HSBC's complaint response, which I feel would be unnecessary given that this matter can be resolved in its entirety here. And HSBC have agreed to my request in this regard.

So, the position we now find ourselves in is that Mr G should be able to instruct partial transfers out of his HTB ISA moving forwards, following the resolution of this complaint. But I feel that Mr G should have been able to make the partial transfers that he requested in the first instance, given that there is nothing in the HTB terms and conditions which prohibits him from doing so. And because of this I feel that Mr G has missed out on earning a more beneficial rate of interest on the balance of his HTB ISA that exceeds £12,000 and has done so for several months.

As such, I'll be provisionally upholding this complaint in Mr G's favour and instructing HSBC to reimburse to Mr G the interest that he missed out on by not being able to make monthly partial transfers out of his HTB ISA. This should result in a monthly missed interest amount beginning from when Mr G requested that the first partial transfer be made (understood to be May 2024), until the end of the month that HSBC enable Mr G to make partial transfers from his HTB ISA and confirm that can make such transfers moving forwards to him.

If we assume that HSBC enable Mr G to make partial transfers from the middle of December, and inform him as such around that time, this would mean that there should be seven monthly calculations, for the months May through November, all of which are

calculated up to the end of December.

When undertaking this calculation, HSBC should consider the interest rate of the ISA product that Mr G intended to move his money to, which is understood to have been 5.2% until 9 September 2024 and 5.1% after that date. HSBC should provide a copy of their completed calculation to this service, preferably no later than 13 December 2024, the deadline for responses to this provisional decision.

Finally, in consideration of the frustration and inconvenience that I feel Mr G has unfairly had endure here, my provisional instructions to HSBC also include that they should pay a further £150 to Mr G by way of compensation. This is in addition to the £100 compensation that HSBC have previously paid to Mr G regarding processing delays (which I feel was a fair amount for that aspect of Mr G's complaint), so that the total amount of compensation payable to Mr G across this complaint is £250.

Neither Mr G nor HSBC responded to my provisional decision and so raised no objection to it. As such, I see no reason not to issue a final decision here whereby I uphold this complaint in Mr G's favour on the basis described in my provisional decision. And I therefore confirm that my final decision is that I do uphold this complaint on that basis accordingly.

Putting things right

HSBC must reimburse interest that Mr G has lost out on to Mr G, in line with my instructions above.

HSBC must also pay a further £150 to Mr G.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 14 January 2025.

Paul Cooper
Ombudsman