

The complaint

Mrs W complains that Lloyds Bank PLC delayed the completion of the Additional Permitted Subscription (APS) process for her cash ISA resulting in financial loss and distress.

What happened

Mrs W is represented in this complaint by her daughter. An application was made on 12 April 2023 to use the ISA allowance of Mrs W's late husband under APS. And so, she would be able to transfer ISA funds he'd held with another provider into a cash ISA at Lloyds in Mrs W's name. But this took over a year to complete despite repeated contact with Lloyds and its bereavement team. Mrs W wasn't able to benefit from the ISA and has been distressed and caused inconvenience and concern including over her ability to pay for care home fees.

Lloyds Bank said it accepted that it had provided poor service and caused anxiety. It sent her a cheque for £450 in compensation for this. It also adjusted interest paid to her to take account of the delays. This was additional interest paid to the cash ISA account of £4,482.45 and interest of £945.47 paid to her savings account. And when it submitted its business file to this service said that as Mrs W was later able to benefit from the full APS process she had been paid more interest than she would have otherwise been. But it said it didn't seek to recover this.

Our investigator didn't recommend that Lloyds Bank do anything more. She said that she recognised the significant stress caused here. And noted that Mrs W had asked that compensation be in the range of £900 to £1,000. Our investigator relied on the information provided by Lloyds and said that as Mrs W had been paid more interest and was in a better financial position, this had balanced things out. The award was in line with our guidelines.

Mrs W didn't agree and wanted her complaint to be reviewed by an ombudsman. Her representative said that this service hadn't as she wanted looked in detail at the figures involved here. And that she'd been asking Lloyds Bank for this detail too. She also didn't think that the payment of £450 reflected the distress and anxiety caused and that this wasn't resolved during a period when Mrs W was ill and in hospital. And was worried about her financial position. The incorrect APS valuation used caused further distress. Mrs W had intended to transfer her own stocks and shares ISA during the period but due to the problems with the APS transfer had been reluctant to do so and had incurred additional management fees on that ISA and had lost interest. Her representative wanted an understandable explanation and also to know why the payment of £945.47 hadn't gone into the cash ISA.

My provisional decision

I issued a provisional decision on 8 January 2025. I summarise below what I said subject to the changed dates marked with asterisks (*) which I explain further below.

I explained I'd needed to ask our investigator to contact Lloyds Bank for further information

to assist me. The detail of its awarded interest has always been at issue and complex and I have received updated figures in some areas. So, I was setting this out in a provisional decision. I asked Lloyds to provide details of its calculations in a format that could be provided to Mrs W, and these were sent to her representative.

The financial timeline

I set this out as I understood it:

- The 'date of death valuation' for Mrs W's late husband's ISA was £153,129.26 on 16 October 2021.
- On 3 April 2023 that ISA provider sent funds of £143,203.43 to Mrs W's Lloyds Bank savings account.
- On 12 April 2023 Mrs W made the APS application to use the ISA allowance.
- On 19 March 2024* the APS value was stated as £147,704.50.
- On 20 March 2024* that amount was transferred from Mrs W's savings account to her fixed rate Cash ISA.
- On 23 April 2024, an interest payment of £945.47 referred to above was paid into Mrs W's savings account.
- On 11 June 2024, an additional ISA amount of £5,424.76 (making the balance up to the full APS amount of £153,129.26) was transferred from Mrs W's savings account to her Cash ISA.
- On 22 July 2024, total interest applied to that Cash ISA of £7,324.49 included the backdated adjustment of £4,482.45 referred to above.

The individual elements

The interest adjustment of £4,482.45 was calculated on a balance of £147,704.50 from 12 April 2023 to 20 March 2024*. This reflects the delay in that element of the transfer. It was made by comparing the rate Mrs W was receiving on her savings account of 2.33% to that she could have earned on her by then open cash ISA at 5.55%.

I noted that in its final response letter Lloyds acknowledged that Mrs W may depending on her circumstances have to pay tax on the interest at 2.33% (calculated at £3,243.51) she did earn on this money during the period. It has stated to me that if Mrs W confirms she has paid tax then it will still additionally compensate her for that - as clearly all interest on balances if in the ISA would be tax free. It has also pointed out that had Mrs W put funds in a fixed ISA in April 2023 she would have had a comparable interest rate of 4.05% available. And I noted that in her complaint form she states that she had 'taken advantage' of the increase in interest rates into 2024. Lloyds has calculated that the extra interest on the total ISA balance would be £4,821.28 higher over two years (the rate of 5.55% compared to 4.05%). It isn't asking that this be adjusted but stated it shows that Mrs W hasn't lost out on any interest rate.

The interest payment of £945.47 was calculated at a time when Mrs W wasn't able to add all the APS funds to the ISA. And was on the basis that this difference £5,424.76 had notionally been added to a five-year ISA at a rate of 4.25% from April 2023. This was compared to a savings rate of 1.12% otherwise said to be achievable. This payment was made into her savings account as it wasn't cash ISA interest.

Things had clearly moved on since then and I asked Lloyds to provide me with calculations to reflect the delay in those funds being added to the ISA. It told me that the interest that would have been earned in the cash ISA again at 5.55% had these funds been deposited from 12 April 2023 up to 10 June 2024 is £354.15. And the additional interest compounded on that interest itself over a five-year period would be £93.28 if in the ISA compared then to a savings rate of 0.92%.

Other financial implications

Lloyds has said to me that during the period of delay Mrs W was free to make her own ISA subscription using her allowance. While I also understood her reluctance to transfer her own stocks and shares ISA, I said I couldn't reasonably ask Lloyds to compensate her for mistakes that only may have happened as it didn't have the opportunity to make the transfer. I noted what has been said about her concerns at paying for her expenses but also that the transferred funds had appeared as freely available in her savings account from April 2023. So, I didn't see a basis for Lloyds to be responsible for any related borrowing that's been referred to.

Inconvenience and stress caused.

Mrs W's representative has set out in the detail the delays here, the multiple forms filled in and lost by Lloyds and the poor communication aggravating her mother's poor health. None of that is disputed by Lloyds and it noted the difficulties in getting correct transfer figures from the other ISA provider. It has offered compensation of £450. In assessing that I needed to take into account from above that Mrs W has been paid more interest than the minimum required to put her in the financial position she ought to have been in. Above she was paid £945.47 against an actual interest loss of £447.43 (£354.15 plus £93.28) on the funds of £5,424.76. And as I've mentioned has had interest on the full ISA balance backdated at the then more favourable rate which might not have been used in a calculation I would otherwise have made. So, taking all that into account and our published guidelines I considered that she has been compensated fairly overall. I understood that she hasn't cashed the cheque of £450 from Lloyds and that it may need to be reissued.

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.

Lloyds didn't make any comments about what I proposed.

Mrs W's representative made some comments on the timeline. She said that the information from the previous ISA provider was that it had sent Lloyds details of the APS valuation at the incorrect amount of £147,704.50 on 22 February 2024 and with the correct value of £153,129.26 on 3 April 2024. She said that the funds of £147,704.50 had been transferred to Mrs W's ISA on 20 March 2024, not 20 April 2024 as previously quoted. And she said that the calculation provided to her of the interest of £4,482.45 ('Calculation 1') referred to two dates 22 March 2024 and 12 April 2024 neither of which corresponds to the timeline.

Mrs W's representative further said that she hadn't had clear and honest explanations throughout the process to help her understand the position. And that whether the result of the interest compensation was to Mrs W's benefit or otherwise she had just expected a true and fair outcome. The current errors cast doubt on that. She asked me to obtain a true timeline and revised figures from Lloyds and the previous ISA provider as she didn't think that the complaint could otherwise be resolved.

I have reviewed the timeline and can confirm that in error the date of transfer to Mrs W's ISA was quoted in my original provisional decision as 20 April 2024. I'm sorry for that and not picking this up before and for clarity have amended the relevant dates with asterisks above. It is Lloyds position that it had information to make the initial transfer from 19 March 2024. I've seen that the previous ISA provider issued a letter to Mrs W stating that it had sent this on 22 February 2024. I also note from the final response letter from Lloyds dated 22 April

2024 that it said that at that point it hadn't received the letter the other provider had said it had further sent on 3 April 2024 with the correct APS figure. I can't resolve further what happened to that letter and any communication. But I'm looking at whether Mrs W was financially disadvantaged by the clear delays.

I've looked again at 'Calculation 1' provided by Lloyds and referred to by Mrs W's representative. I'm satisfied that the calculation runs from the quoted 12 April 2023 (not 2024), and which is the date above of the APS application. It ends on 20 March 2024 (the date when funds were added to the ISA). The date of 22 March 2024 referred to in the header of the calculation sheet Mrs W's representative has seen is it seems an audit date for Lloyds to show when the calculation was undertaken. But I appreciate the potential for confusion.

I remain of the view that Mrs W is financially in a better position than she would otherwise have been in for the reasons I gave in my provisional decision. I consider that sufficient detail and explanation has now been provided fairly to establish that. And Mrs W and her representative wanted to understand that detail. I've not been presented with alternative calculations or information to suggest that further interest should be paid to Mrs W. So, I don't have a reasonable basis to require Lloyds to alter the amounts paid.

That's not to say it hasn't taken considerable effort by Mrs W and on her behalf for the transfer to be completed with delays as set out in the timeline above. I'm looking at the actions of Lloyds here in this complaint and not the other ISA provider. And it's accepted that Lloyds didn't provide a good service. I take into account the delays and the impact for Mrs W. Having balanced what I've said about the compensation for interest and the offered compensation of £450 for distress and inconvenience I won't be requiring Lloyds to do anything further. I'm satisfied it's made a fair and reasonable resolution to this complaint. I'd noted before that the related cheque for £450 hadn't been cashed and so may need to be reissued.

My final decision

My decision is that I do not uphold this complaint in the sense that Lloyds Bank PLC need not do anything further than it has already done and offered to do as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 28 March 2025.

Michael Crewe
Ombudsman