

The complaint

Mr G complains that Punjab National Bank (International) Limited ("PNBI") hasn't closed his account despite him asking it to for a number of years. Mr G also says this left him open to unnecessary risk, given that there was a security breach which happened some years later.

Mr G also complains that PNBI filed the interest earned on his fixed deposit account incorrectly which led to him being charged too much tax.

What happened

Mr G opened a five-year fixed deposit account with PNBI in September 2012 which matured in September 2017. Mr G says that he asked for his account to be closed in June 2018. But in July 2018, he received a statement suggesting the account was still open with remaining funds. Mr G said he asked for the money to be transferred to him and the account to be closed again, however he received another statement in October 2018 indicating the same. Mr G said he asked for his account to be closed again and raised a complaint about matters so far but received no response about either.

Mr G says he raised the matter with PNBI again in January 2019 and then in December 2019, alongside another issue. He complained that PNBI had filed the total interest he had earned on his fixed deposit account over the five-year term, in a single tax year ending April 2018 – an amount of close to £12,600. Mr G says this resulted in him being charged more in tax, by around £2,750. Mr G said he asked for a breakdown of the yearly interest earned on his account so he could rectify matters, and he asked PNBI to correct its error. But following several requests, PNBI sent him a breakdown of interest earned from September to September each year, as opposed to interest earned in each tax year – from April to April, which Mr G was unhappy about.

Mr G also said he received a letter in December 2020 outlining that there had been a security breach within PNBI. He said that he wouldn't have been exposed to this risk if PNBI had closed his account when he'd asked it to. Mr G ultimately complained about all of these issues. He also complained that PNBI had failed to call him back as it had promised on multiple occasions.

PNBI reviewed matters. It initially issued a final response letter in January 2021 where, in summary, it apologised it hadn't yet closed Mr G's account and offered him £50 compensation. In relation to the interest on the account, it thought it had reported accurate information to HMRC. It then issued another final response letter shortly afterwards where, in summary, it added that Mr G's complaint wasn't initially acknowledged because of reduced staff working during the Covid-19 pandemic. But PNBI ultimately apologised again for the service Mr G received.

Mr G remained unhappy with PNBI's response and brought his complaint to this service. One of our investigators reviewed matters but didn't recommend the complaint be upheld. She thought PNBI had apologised and offered appropriate compensation for the errors it made. And, she thought the interest had been filed correctly on the account.

PNBI didn't dispute our investigator's findings, but Mr G did, and mostly repeated his earlier points. He also pointed out that his account still hadn't been closed to date.

I issued a provisional decision where I said, in summary, that I thought Mr G had been caused unnecessary distress and inconvenience because his account hadn't yet been closed. So, I thought PNBI should pay Mr G £150 compensation to recognise this, inclusive of the £50 it had already offered him. I also thought it should arrange to close the account and communicate with Mr G about where he would like the funds sent.

With regards to the security breach, PNBI said this didn't affect its core banking systems and was limited to affecting an employee's email account. So, overall, I wasn't persuaded that Mr G had suffered any loss as a result of the security breach.

In relation to the interest on the account, I wasn't persuaded that PNBI had made an error. I thought that the terms of the account, and the information on the HMRC website which Mr G had provided in support of his complaint, suggested that interest arises on the account and is taxed at maturity.

PNBI accepted the decision. Mr G disagreed with the decision and said this was mainly in relation to the findings on how interest was reported. In summary, and in addition to his previous points, he said the decision rejected the evidence that interest was applied to the account annually. In relation to whether the account was 'free to draw' upon, Mr G thought it was wrong to suggest that access to the funds of the investment had any relevance to tax on the interest. He added that the account did have the option to withdraw the interest annually, but he chose to reinvest it instead.

Mr G also said HMRC had already confirmed that PNBI was wrong to apply the interest in one tax year, and it had also given him a partial tax refund, pending receipt of the information from PNBI about how interest was applied in each tax year. He also said PNBI still hadn't closed his account or paid the remaining funds to him, nor had it paid the compensation it promised him.

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 haven't changed the opinion I expressed in my provisional decision. I've explained my reasoning below. But before I do so, I want to say that I have taken on board all of the additional comments that Mr G raised in response to the provisional decision.

Although a number of issues have been raised, this decision only addresses those issues I consider to be materially relevant to the crux of the complaint. However, I've given careful consideration to all of the submissions made to date. And, to be clear, this decision only deals with the circumstances of this particular complaint against PNBI.

Interest on the account

Mr G has pointed towards HMRC's website, in support of his position that PNBI has made an error with how it has reported interest. Having considered this content very carefully, my interpretation differs from Mr G's.

The content of the webpage that Mr G has pointed towards outlines that interest arises when it is received or made available to the recipient. It further explains that interest has been made available if it is credited to an account on which the account holder is 'free to draw'.

It then includes the following example to help illustrate how interest arises on an account. It states:

"[Customer] entered into a five year fixed-term bond on 6 April 2017. The bond credits interest to [Customer's] account annually on the 31 December. [Customer] can only gain access to both the annual interest and the principal in advance of 5 April 2022 if a penalty is paid for early access.

Since the terms and conditions of the bond allow [Customer] to draw on the funds, although with a penalty, the interest arises and is taxable each year as it is credited.

If the terms and conditions of the bond did not allow access until maturity, the interest would arise and be taxed at that point."

The example above highlights an account where interest is credited annually. It says that if the terms didn't allow access until maturity, then interest would arise and be taxed at maturity. So, I've looked at the relevant terms and conditions to see how this compares with the account Mr G held.

PNBI has provided this service with terms and conditions it says were applicable at the time Mr G opened the fixed deposit account. These terms say that interest is always paid at the time of maturity of the deposit. They also say: *"Generally premature withdrawal is not allowed. In exceptional circumstances if allowed it is subject to penalty..."*

These terms outline that premature withdrawal is usually not allowed. And, they suggest that PNBI has a say in whether a customer is able to access the funds in the account prematurely in the case of exceptional circumstances. Considering the information on HMRC's website, I'm persuaded that this means Mr G wasn't 'free to draw' on the funds in the account. Considering these terms in line with the example above, it would appear that interest therefore arises on the account and is taxed at maturity.

Mr G says interest was available at the end of each year and there was also an option to withdraw the interest annually, but he chose to reinvest it instead. But I'm not persuaded this makes a material difference here. I say this because Mr G says he chose to reinvest the interest annually when he opened the account. So, it remains that the terms of Mr G's account generally didn't allow him to access the funds until maturity. So, considering both the HMRC example, and the terms of the account, I'm not persuaded that PNBI has made an error in the way it reported Mr G's interest earned to HMRC.

I note Mr G says he has queried matters directly with HMRC. He says it has agreed with his position and provided him with a partial tax refund, pending receipt of the information from PNBI about how interest was applied in each tax year. However, I've not been provided with evidence to show what query was put to HMRC and what its response and reasoning was. So, in the absence of this, I must decide the complaint on the evidence which is available. And on balance, having considered all the submissions before me, I'm not persuaded that PNBI has made an error here.

It's unfortunate that PNBI initially provided Mr G with a breakdown of interest earned from September to September when he asked for the interest breakdown in each tax year. I think PNBI should provide Mr G with the information he's requested if it hasn't already. And, if Mr G remains of the opinion that PNBI has made an error and thinks a further tax rebate is

due, then he can use the information I've directed PNBI to provide, to discuss matters further with HMRC.

Account closure

PNBI has told this service that Mr G had both a fixed deposit account and a linked savings account. It's unclear from the information on file which account Mr G says is still open. In PNBI's submissions to this service, it has provided a copy of Mr G's request to close his fixed deposit account, which it says it received and actioned in 2018. It says that the only account that therefore remains open is Mr G's linked savings account. PNBI has also provided follow-up correspondence later in 2020 where it discusses Mr G's savings account which remains open and how Mr G could go about closing it. So, on balance, I'm persuaded that the account that remains open is Mr G's linked savings account.

Mr G says he first asked PNBI to close his account in June 2018. This is around the time PNBI says it received Mr G's request to close his fixed deposit account. And, it's sent us a copy of this request which I can see was received around this time. So, based on the submissions before me, I'm persuaded PNBI received Mr G's request to close his fixed deposit account only in June 2018, which it says it acted upon. And, I've not seen anything to suggest it received a request to close the savings account at this time too.

However, PNBI does accept it received requests to close Mr G's savings account from January 2019, which is over three years ago. And, given that there is agreement from both parties that Mr G asked for his account to be closed at least three years ago, I think Mr G was caused some inconvenience here.

PNBI has said it only received the requests for the account closure over the phone, and not in writing. It also said it didn't receive details of where it should send the remaining funds after the account had been closed, despite it sending Mr G an email requesting this in December 2020. I acknowledge that PNBI sent a follow-up email in December 2020 and it says it didn't receive any information from Mr G about where he would like the funds sent to. That being said, PNBI acknowledges that Mr G had already been asking for his account to be closed since around two years before by this point. So, overall, I think he was caused some inconvenience here.

Mr G also says he was exposed to unnecessary risk because his account remained open, given that he was notified of a security breach in December 2020. However, PNBI has told this service that the breach didn't affect its core banking systems and was limited to affecting an employee's email account. And I've not been provided with anything to persuade me that Mr G has suffered any loss as a result of the security breach. So, I'm not persuaded that Mr G has been caused any detriment here.

That being said, I'm satisfied that Mr G was caused unnecessary distress and inconvenience as a result of PNBI not arranging to close his account earlier than it did. I also think Mr G would've been caused inconvenience as a result of the overall customer service offered, including PNBI not returning several of his calls. I think PNBI should compensate Mr G for this. Having thought carefully about the circumstances, and the unnecessary distress and inconvenience Mr G was caused, I think PNBI should pay Mr G a total £150 – inclusive of the £50 offer of compensation it has already made him.

I also think it should now arrange to close Mr G's account and communicate with Mr G about where he would like the funds sent. And, I think it should provide Mr G with a clear breakdown of the interest earned in each of the tax years that the account was open, so he can query matters further with HMRC, should he wish to.

My final decision

My final decision is that I uphold part of this complaint and require Punjab National Bank (International) Limited to do the following:

- Pay Mr G £150, inclusive of the £50 offer of compensation already made, for the distress and inconvenience caused to him.
- Arrange to close Mr G's account and communicate with him about where the funds should be sent.
- Provide Mr G with a clear breakdown of the interest earned in each of the tax years that the account was open, in line with his request.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 October 2022.

Hana Yousef
Ombudsman