

The complaint

Miss P complains that Atom Bank PLC provided incorrect information to HMRC which resulted in Miss P being asked to pay income tax on her savings.

What happened

In late 2022 Miss P received a letter from HMRC telling her that she owed income tax for the previous tax year. Miss P told HMRC that the information sent by Atom Bank was incorrect and then complained to Atom Bank that it had sent incorrect information to HMRC about interest it had paid on her account.

Atom Bank upheld Miss P's complaint and initially offered Miss P £50 for the distress and inconvenience the error had caused. Atom Bank confirmed there had been an error on a number of its accounts and that it asked HMRC to update its records earlier in the year. Atom Bank suggested that Miss P should share its final response letter with HMRC.

Miss P didn't accept the offer made by Atom Bank and thought the £50 didn't provide a reasonable remedy for the stress and anxiety the matter had caused her. Miss P brought the complaint to the Financial Ombudsman Service where one of our Investigators looked into things. Atom Bank increased its offer £150 for the distress and inconvenience caused to Miss P, but the Investigator didn't think this was fair. The Investigator thought it would be fair and reasonable for Atom Bank to pay Miss P £250 as the error caused Miss P more distress, inconvenience, and anxiety than the levels she might reasonably expect from day-to-day life.

Miss P asked that an Ombudsman decides the complaint.

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 understand Miss P will be disappointed, but for very much the same reasons as the Investigator, I've decided that Atom Bank should pay Miss P £250. I consider this is a fair and reasonable remedy in the circumstances of this complaint. I will now explain why.

There's no dispute that Atom Bank provided incorrect information to HMRC about the interest Miss P earned on her account, nor that Miss P received a tax bill based on the incorrect information. Atom Bank initially corrected this error promptly, but unfortunately it seems HMRC used the incorrect figures Atom Bank had previously provided to calculate Miss P's tax for the year. With this in mind, I don't need to make a decision on whether Atom Bank did something wrong. Instead, I only have to decide whether the offer made by Atom Bank was fair and reasonable.

I'm satisfied that Atom Bank provided HMRC with the correct figures in March 2022 and that it did so relatively quickly after its error had been identified. I think it would have been better service if Atom Bank had informed Miss P that it had previously reported incorrect figures to HMRC, rather than Miss P only becoming aware of this much later in the year. So, when

Miss P received the tax bill from HMRC, based on incorrect information, it would have come as a shock to her at the time. Miss P says she had to spend a tremendous amount of time trying to resolve this with HMRC and this shouldn't have been an issue in the first place.

Miss P says Atom Bank's error caused her a tremendous amount of anxiety and stress and had a detrimental effect on her mental and physical health. Miss P asked me to consider that it was unreasonable that Atom Bank asked her to send its final response letter to HMRC.

Atom Bank did send the correct information to HMRC, and it could have re-sent the information or written to HMRC again when HMRC issued the tax bill. However, Miss P was already in contact with HMRC around this time, so I don't think it was unreasonable for Atom Bank to suggest Miss P send a copy of its final response letter to HMRC to support this had been done – particularly as Atom Bank had already provided the correct information to HMRC some months earlier. I appreciate this meant Miss P had to do some more work to resolve the issue with HMRC, but in the circumstances of this complaint I'm satisfied it would be fair and reasonable for Atom Bank to pay Miss P £250. I think this fairly reflects the work Miss P had to do to put things right, including making a number of telephone calls and some administration work, and it reflects the distress, inconvenience and anxiety caused to her when she received an unexpected tax bill.

My final decision

For the reasons I've detailed above, I've decided that Atom Bank PLC should pay Miss P £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 1 August 2023.

Paul Lawton
Ombudsman