

The complaint

Mr S complains that Tandem Bank Limited hasn't provided him the interest rate that was advertised when he opened a savings account with it.

What happened

In August 2023, Mr S opened a savings account with Tandem which was advertised as having an interest rate of 5% AER (Annual Equivalent Rate). Mr S had some questions about this and was initially told that if he kept funds in the account then he would get 5% - although the member of staff he spoke to about this couldn't explain how that would be applied to the account.

Tandem eventually told Mr S that interest was being paid at a gross rate of 4.889% and explained how it was calculated. But Mr S was unhappy with this as he believed that he had been misled into taking out an account based on the rate being 5% in all the information about it. He complained to Tandem but it believed it had provided an explanation around how the interest was calculated and didn't think it needed to take any further action. Mr S remained unhappy with this and brought his complaint to this service.

Our investigator looked into this and didn't feel that Tandem had treated Mr S fairly. They were satisfied that the interest was being calculated correctly, but felt that Tandem could have been clearer and fairer in the information it provided and the communication it had with Mr S. They said that had Tandem done this, then it could have avoided Mr S's confusion and frustration over the situation. They recommended that Tandem should pay Mr S £100 to compensate him for this.

Mr S agreed but Tandem didn't. It said it had stated the reasons behind the figures it quoted in terms of the interest rate on Mr S's account. It believed it had clarified this for Mr S and provided this information to him before our service became involved. Our investigator maintained that Tandem could have done more to have helped Mr S understand how the interest rate worked. The complaint was passed to an ombudsman to decide.

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.

Mr S seems to now understand how interest is calculated and payable on his account and from what I've seen, I'm satisfied that the interest has been calculated and paid correctly. So what I need to decide is whether Tandem treated Mr S fairly and reasonably in his individual circumstances and whether it could have done more to help him understand this sooner.

Mr S's concerns here stemmed from him not understanding why he wasn't receiving interest at 5% on his account which was advertised as having this rate on all the information Tandem provided when he applied for it. He believed Tandem would be paying him interest at 5%.

Tandem has an obligation to provide information that is clear, fair and not misleading

(Principle 7 of the Financial Conduct Authority's Handbook). An AER rate is an industry standard way of allowing for an easy comparison between different accounts, but it doesn't represent the gross rate of what a customer would necessarily receive if interest is paid monthly and compounds. So in providing this figure, Tandem isn't doing anything wrong and it's shown that it is calculating and paying interest at a rate that is in line with the quoted 5% figure, even if the reality of the *actual* rate is slightly more complicated than that.

Mr S's individual concern was that he wasn't receiving the 5% he'd been quoted and didn't understand why this was. I think this is where Tandem could have done more to support Mr S's understanding.

When Tandem provided information to Mr S, it seems to have done so on the basis that Mr S understood more than he actually did about how AER worked and how Tandem was actually calculating interest. For example, when Tandem explained that the actual gross rate being applied was 4.889% - it didn't explain *why* that was and why that differed from the 5% AER figure. Had Tandem spent a bit more time on explaining that to Mr S in clear and simple terms and have tailored its explanation to his needs – then, like our investigator, I think some of Mr S's confusion and frustration with this situation could have been avoided.

When I consider this, alongside the service that Mr S was provided, then I think this situation has clearly had an impact on Mr S that would be fair for Tandem to compensate him for. I've seen that the service Tandem provided fell short on a few occasions. For example, at one point Tandem couldn't explain how interest would be applied to his account. There was also a misunderstanding where Tandem also told him it had sent an explanation about the interest when it hadn't. So I've considered all Mr S has said about this and about his circumstances and I agree with our investigator that £100 is fair to compensate him for the impact here, so it's that Tandem should now pay him.

My final decision

My final decision is that Tandem Bank Limited should pay Mr S £100 for the distress and inconvenience caused here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 July 2024.

James Staples
Ombudsman