

The complaint

Mrs E complains that Barclays Bank UK PLC trading as Tesco Bank disadvantaged her when the merger of the two banks took place, in relation to protection under the FSCS (Financial Services Compensation Scheme), payment of interest and her tax liability.

What happened

In February 2024 Barclays and Tesco announced that Barclays proposed to take over Tesco's retail banking business. This was announced to customers following an initial High Court Hearing in July 2024. Following this, at a final Hearing in October 2024, the takeover was approved. Tesco then set out to customers that because of the merger, if they had accounts with both Tesco and Barclays their maximum protection under the FSCS would be £85,000 rather than, as previously, £170,000 for two separate banks. For customers affected by this it offered to pay compensation if they weren't able to match the interest rates on their savings if transferred out.

I understand that Mrs E made a transfer of her savings out of Tesco in November 2024. And Barclays paid her compensation of £62, based on an assessment of market rates for her loss of interest. But she wasn't happy that she was forced to choose between some of her savings not being covered under the FSCS limit or getting a lower rate of interest elsewhere. And that the compensation wasn't sufficient to match her loss of interest. Further that she would now have a tax liability for the compensation paid to her. She thought that Barclays/Tesco should have given her longer notice, and paid full compensation for her interest and tax liability. And that any interest accrued in the account would be covered beyond the FSCS limit.

Barclays advised that the terms of the takeover had been approved by the High Court and that whilst it appreciated Mrs E's concerns and comments regarding the FSCS and the processes it had put in place, it couldn't provide extended FSCS cover, pay a higher rate of interest on her balance over the FSCS limit or the cost of her tax on her interest payments.

On referral to the Financial Ombudsman Service, our Investigator said she couldn't uphold Mrs E's complaint as she was satisfied that Barclays had acted within the obligations set out by the Financial Conduct Authority (FCA) and the FSCS.

The matter has been passed to me for an Ombudsman's consideration.

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.

First of all, although I'm not bound by their decisions, I have taken into account, as I'm required to do, the High Court Judgement approving the takeover and the associated compensation scheme. And that the FCA, the industry regulator and the FSCS have also approved it. And I must emphasise that it isn't part of my function to require Barclays to change the terms of the takeover or its associated compensation.

notice and terms of the scheme.

Barclays first gave notice of its proposal in February 2024, this would have been in the financial press.. Following a High Court Hearing in July 2024, it gave notice to its customers explaining the terms of the scheme and its proposal for any customers affected by the consequent change in the FSCS limit. At the final hearing on 17 October 2024, I understand that the Judge was given details of customer complaints about the takeover. I think that sufficient notice was given. As an overall business decision it may not have been suitable for all its customers, but I think Barclays acted reasonably in all the circumstances of the case. In its letter advising customers of the takeover, Barclays also set out deadlines, offering customers a chance to move their money, without loss of interest, by 31 January 2025. I understand Mrs E moved her money on 1 November 2024.

compensation

I can understand that Mrs E would have been upset at losing the protection of the FSCS scheme for her deposits over £85,000. But this is what Barclays' compensation scheme was designed for, and it had to be fair to all customers. For the savings account Mrs E had, this used the average rates available from five other high street banks. While Mrs E says this didn't match the savings rate she was able to achieve, I don't think it was unreasonable for Barclays to calculate the compensation in that way. And in my view it wouldn't be reasonable to expect it to offer different rates to different customers.

FSCS protection

The High Court in particular would have assessed the viability of the takeover which would have included the risk to customers if the Bank failed. But clearly for people with savings between the two banks of over £85,000, it was important to allow customers to still have that protection. This again is what the compensation scheme allowed for.

On Mrs E's point about it offering extra protection, as the FSCS is an independent scheme and only would come into effect if the bank failed, clearly Barclays wouldn't have been in the position to offer extra protection over the FSCS limit. And if Mrs E's account accrued further interest which took it over the limit she would have had the option of taking out that interest and/or moving it to her new account. I think that is reasonable.

tax

I understand that Mrs E is concerned that she will be taxed on the compensation she was paid. She tells us that this is because interest on her savings was not due to be paid until May 2025, whereas receiving the payment in the 2024/2025 tax year means she will be liable to tax. Assuming the basic rate of tax this would be about £12. And whilst I understand that that would not be very much for Barclays to pay, I have to take into account that under the takeover agreement it has to treat all its customers fairly. I note the possible liability but it is a matter for Mrs E how she arranges her tax affairs. I don't think it's appropriate to order Barclays to be liable for this.

overall

So overall, bearing in mind I can't require Barclays to change the terms of the takeover agreement or the compensation scheme, I think it acted fairly and reasonably in implementing those terms. And whilst I note Mrs E's concerns about how they affected her personally, it wouldn't be reasonable for me to require Barclays to act differently so far as she was concerned.

My final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 5 June 2025.

Ray Lawley
Ombudsman