

The complaint

Mr G complains about information that Nationwide Building Society (NBS) gave him about interest for fixed rate bond accounts. As a consequence, Mr G has incurred costs and suffered inconvenience.

What happened

In 2022, Mr G went to a branch of NBS to enquire about the tax treatment of interest on Fixed Rate Online Bonds (FROBs). He wanted to understand when he would be liable for the tax on the credit interest and was told he would not be liable until the maturity of the bonds i.e. the end of the fixed term. Factoring this into his financial planning, Mr G opened bonds of varying terms including a three year product.

After a year, Mr G noticed that interest had been added to the 3 year bond so raised a query with NBS. NBS responded to say interest is paid on the anniversary of account opening, at the end of the term, and on the day the account closes but the interest will be taxable at the end of the 3 year period when the account matures.

When Mr G noticed changes to his tax code a year later, he complained to NBS about what he considered to be the erroneous information they gave him.

NBS investigated the complaint and did not uphold the matter. They said interest had been applied correctly for the bonds, as per the Terms & Conditions (T&Cs) in that it was calculated daily but paid annually. And in terms of interest reporting for tax purposes, NBS had to abide by the relevant regulation.

Unhappy with NBS's response, and feeling that he had been mis sold the bonds, and given incorrect information, Mr G brought his complaint to our service.

Our investigator completed a full investigation and did not uphold the complaint, saying they had not seen enough to say NBS had done anything wrong. Our investigator said that whilst NBS's T&Cs said that interest would be paid annually on FROBs, Mr G is liable for tax on the interest at maturity. Our investigator ended their view by saying Mr G could discuss the tax consequences with His Majesty's Revenue & Customs (HMRC).

Mr G disagreed with this outcome and requested an ombudsman review his 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've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, and while I recognise this will come as a disappointment to Mr G, I have decided not to uphold the complaint for broadly the same reasons as the investigator stated in their view.

Although I may not mention every point Mr G has made, I'd like to reassure him I've considered them throughout my investigation. I've focused on the main points relevant to my outcome.

Firstly, I wanted to address the branch visit that Mr G mentioned, back in 2022 where he says he was provided with certain information which led him to open these bonds. Being that this event took place three years ago and considering the challenge it would present to obtain NBS staff testimony from that far back, I can't address what may have been said in the branch visit that day.

These accounts were opened online where the responsibility of understanding the features and workings of the accounts lay with Mr G as he opened them, reliant on information provided by NBS for Mr G to accept and 'click through'. These features and workings form part of the T&Cs which constitute a contract which Mr G agreed to. So regardless of what may have been said within the branch visit, NBS did provide clarity online when Mr G opened the accounts.

In terms of interactions that Mr G has had with NBS, he has provided a screenprint of a chat from 2023 which he had with NBS, in which he questioned why NBS paid him interest after the first year of investment, stating he was concerned interest would only be taxable at the end of the 3 year term. In that chat, Mr G was provided with correct information which was that for his FROB, interest was paid on the anniversary of opening, at the end of the term, and on closure. NBS also said in this chat that the interest will be taxable at the end of the 3 year period when the account matures.

I do make it clear regarding the chat, that the evidence I've seen is what Mr G supplied, and NBS have commented they can't locate the chat in question.

In terms of errors, the evidence I've seen doesn't support that NBS made any. I say this as I have seen NBS abide by their T&Cs and, because within the chat that Mr G supplied details of, NBS gave correct information.

It does appear to me within this complaint that two aspects have been discussed which have on occasion, been mixed up; interest, and tax. Regarding the interest aspect, I find that NBS applied interest when they should – in line with the product T&Cs – and what they told him. Additionally, NBS fulfilled their obligations reporting the interest they paid to HMRC. And NBS cannot be held responsible for the consequences at HMRC for the standard reporting they provide.

Looking at the other aspect: tax, I know Mr G has said that he has experienced challenges in contacting HMRC regarding this matter, but as NBS have not made errors here, Mr G would need to continue contact with HMRC who I would expect to be able to provide definitive information about his tax liability for the interest NBS paid to him.

In conclusion, while Mr G is likely to be unhappy with my decision, I have to base that decision on the evidence and facts presented; therefore, I can't ask NBS to do anything further.

My final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 9 July 2025.

Chris Blamires
Ombudsman