DRN-5867658

The complaint

Ms M complains about the service she received from Bank of Scotland plc trading as Halifax ("Halifax") when investing a lump sum received from her pension. In particular, Ms M says she was wrongly advised if she invested her funds across two products she wouldn't earn interest above her personal allowance and be liable to pay tax.

What happened

Ms M attended a branch of Halifax on 20 October 2023 with the purpose of investing a lump sum received from her pension into an interest-bearing account. Ms M says she wanted to ensure that the interest earned wasn't above her annual personal allowance as she didn't want to be eligible to pay tax.

Ms M says she had a face-to-face appointment with a staff member of Halifax and was provided with the details of two accounts and advised to split her lump sum over the two accounts – one with a larger sum for two years she couldn't make withdrawals from and the other for one year. Ms M says she was assured that she wouldn't accrue interest at a level that she would have to pay tax.

Halifax records show that on the same day Ms M's Everyday Saver account changed into a Bonus Saver and Ms M opened a two-year Fixed Savings account earning interest at 5.25% (paid annually) and transferred £60,000 into this leaving around £18,000 in her Bonus Saver earning interest (paid monthly) at around 3.1%.

Halifax records show that although Ms M visited a branch and was assisted by a staff member that Ms M opened the two-year Fixed Savings account herself online.

On 21 October 2024 Ms M's account was credited with interest of £3,175.89 representing the interest earned for the first year of her Fixed Savings Account.

Ms M complained to Halifax that as a result of the amount of interest she is earning she will have to pay tax on some of it.

Halifax didn't uphold Ms M's complaint as it doesn't believe it made any errors. It says while its colleague may've offered her assistance and discussed the products available, they wouldn't have been able to offer any advice on what products to start. It says the rates were displayed on Ms M's individual account and so it's reasonable to suggest Ms M would've been able to calculate the amount of interest she'd receive over the term of her accounts and that there has been no financial detriment.

Ms M was dissatisfied with this and so brought her complaint to this service. She says due to the incorrect advice provided by Halifax she is now liable to pay tax on some of the interest earned. To resolve the complaint Ms M wants Halifax to pay the income tax due because of its error.

Halifax say although Ms M met with a savings colleague, as part of the discussion the adviser would've explained they were unable to offer any tax advice as they are not qualified to give this and simply discussed the products available so the customer could make an informed choice and that it was Ms M's responsibility to work out what product is best for her needs. It says on opening the product it is made clear that it would not automatically deduct tax from the interest paid on money in your account and that it is the customer's responsibility to pay any tax owed to HM Revenue & Customs.

One of our investigators looked into Ms M's concerns but didn't think Halifax had done anything wrong. They thought Ms M was given information on the types of accounts she could invest her funds into and that Ms M opened her fixed rate saver with the knowledge of how much she wanted to deposit, the interest that would be earned and that she would be liable for tax if this was more than £1,000. And so they didn't think Halifax had treated her unfairly as she was in a position to make an informed choice on what savings accounts she wanted to invest in.

Ms M disagreed, she says she was wrongly advised by Halifax to split the £78k into two accounts so that neither would accrue taxable interest.

Ms M has asked for an ombudsman's decision on the matter.

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.

It might help if I explain here my role is to look at the problems Ms M has experienced and see if Halifax has done anything wrong or treated her unfairly. If it has, I would seek – if possible - to put Ms M back in the position she would've been in if the mistakes hadn't happened. And I may award compensation that I think is fair and reasonable.

And where there is a dispute about what happened – as in this case, I've based my decision on what I consider most likely to have happened in the light of the available evidence.

Ms M says she was wrongly advised if she split her lump sum over two accounts that she wouldn't earn enough interest to be liable to pay tax on it.

After considering all the evidence – and I know this will come as a disappointment – I'm not persuaded Ms M was given advice in this regard.

Though Ms M might have believed she had invested her funds in a way that meant no further tax was due, I don't think this mistaken belief was due to any wrongdoing on Halifax's part. I say this as although I appreciate Ms M says she wasn't asking for tax advice but rather an assurance that she wouldn't accrue enough interest that she'd be liable to pay tax – to me advice on this amounts to the same thing.

And as Halifax's sales staff are not qualified to give this advice, I think it is unlikely that Halifax's adviser would provide Ms M with assurances that the product she was opening wouldn't earn enough interest to for her to become liable to income tax as they wouldn't know what investments Ms M had elsewhere or how much money Ms M would invest or withdraw in total over the term of the product and so wouldn't be in a position to advise in this regard. But rather I think it's likely they would've just discussed the products available in general terms including the interest rates and product terms and left it up to Ms M to decide what products to choose.

There simply isn't enough evidence to persuade me otherwise.

Furthermore, I'm satisfied that the information given to Ms M was enough for her to make an informed decision on whether the two products – the Two-Year Fixed Savings and Bonus Saver account – were right for her. Ms M knew how much she was investing, the gross interest rate and the term, as well as understanding that she was unable to make withdrawals from the fixed term savings account before the end of term. I think it perfectly reasonable from this information that Ms M would be able to calculate the amount of interest she was going to receive and decide whether this would suit her needs.

And so I don't think it can be said that Halifax is at fault for Ms M's mistaken belief that she wouldn't earn more than £1,000 in interest and wouldn't be liable for income tax.

In any case Ms M hasn't suffered any financial detriment as she's earned additional income of around £3,000. If I was to find that Halifax had done something wrong, to put Ms M in the position she'd be in without making this investment, she would be worse off financially.

So although I appreciate having to pay tax on the unexpected interest earned may be an inconvenience, as I don't think this was due to a mistake or error made on Halifax's part, I do not uphold this complaint.

My final decision

For the reasons I've explained I've decided not to uphold Ms M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 13 November 2025.

Caroline Davies
Ombudsman