

The complaint

Mr C complains that Skipton Building Society has incorrectly reported the taxable interest earned on his savings account held with it to HM Revenue and Customs (HMRC). He also complains that recent interest calculations are wrong.

What happened

Mr C has a savings account with Skipton. He receives interest monthly which is usually paid into his account on the 5th of each month. In April 2025 Mr C's interest payment of £612.35 was credited to his account late on 9 April 2025 due to what Skipton describes as a system error.

Mr C complained to Skipton. He's unhappy that Skipton is reporting April's gross interest payment in the 2024/25 tax year when the payment was received into his account in the 2025/26 tax year. Mr C says that for the purpose of completing his tax returns, interest becomes taxable when it is received into his account. Mr C also asked for a calculation of the recent interest earned on his account.

Mr C says that he's already completed his tax return for the 2024/25 financial year, and he will be inconvenienced by having to amend this now. As a resolution he wants Skipton to report the payment to HMRC for the 2025/26 tax year so that he doesn't need to amend his tax return.

Skipton says it has a duty to put the account in the correct position had the error not occurred. Because the entry was backdated to 5 April 2025 (the date it should have been credited), it has an obligation to report it for the 2024/25 tax year.

As requested, Skipton supplied Mr C with a calculation of the interest payable from 6 December 2024 to 5 June 2025 which shows on occasion he received slightly more than he should have done into his account – by a few pennies. Skipton says although there's a slight discrepancy there's been no loss and it's happy for Mr C to retain the overpayment. Mr C says this highlights a clear problem with Skipton's internal reporting and auditing obligations.

To acknowledge the error with the April 2025 interest payment, Skipton offered Mr C £25 compensation for the inconvenience caused. Having further considered the inconvenience described by Mr C in having to notify HMRC of the amendment, Skipton increased its offer to £100.

Mr C remained unhappy, so he came to our Service. An investigator looked into things and didn't uphold the complaint. Mr C didn't agree. In summary he says that Skipton hasn't backdated the payment to 5 April 2025 as his statements still show otherwise – that being payment received on 9 April 2025. And he gives several reasons why he still disputes the interest should be reported as being received in the 2024/25 tax year.

The investigator considered Mr C's comments but explained why his opinion remained unchanged. Because an agreement hasn't been reached, the case has been passed to me 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.

Skipton has accepted it got things wrong during the April 2025 interest payment process. But as Mr C isn't happy with how Skipton has offered to settle the complaint, it remains for me to decide whether the things Skipton has done to put things right, including the amount of compensation awarded, is fair and reasonable.

The April 2025 interest payment accounts for the compound interest earned in the 2024/25 tax year. If things happened in the way they were supposed to, then this interest payment should have been credited to Mr C's account on 5 April 2025. Skipton has shown that it has amended Mr C's account to put it back in the position it would have been in had the error not occurred – by that it means it has backdated its systems to show that the interest payment was applied to Mr C's account on 5 April 2025 as it should have been. Evidence of this has also been provided to Mr C.

No account adjustment was necessary as the £612.35 credited to Mr C's account on 9 April 2025 was the correct amount that he should have received on 5 April 2025. This therefore means that Mr C started earning compound interest on his new balance that included the £612.35 payment from 5 April 2025 – as should be the case.

I've thought carefully about Mr C's arguments. He says that the interest was physically paid into his account on 9 April 2025, and according to Tax Legislation (ITTOIA 2005 s370) tax is charged on the full amount of the interest arising in the tax year. And HMRC guidance (SAIM 2440) specifies that interest arises when it is received or made available to the recipient. On that basis, Mr C says that the interest arises on 9 April 2025, within the 2025/26 tax year.

Whilst that may be the case technically, the payment has been backdated to reflect the correct position, and as I've explained, that therefore means that Mr C is receiving the benefit of the funds from the intended date. So having considered everything, whilst it's not in dispute that Skipton made a mistake in the way that it initially credited the April 2025 interest payment to Mr C's account, I'm satisfied it's taken the necessary steps to put the account back in the correct position. And I don't think it's unreasonable for it to report the interest as being earned in the 2024/25 tax year.

I appreciate that this potentially now impacts Mr C's tax liability for the 2024/25 tax year and he will need to contact HMRC to explain the reason for the discrepancy. It's not my role to provide tax advice or to make a finding on how Mr C's tax liability will be impacted as a result. Mr C will need to seek advice about this from HMRC directly. That said, from my understanding, the process for making an amendment to a self-assessment tax return isn't onerous and Mr C is still within the allowed amendment window period. That said I appreciate the administration involved will cause a degree of inconvenience for Mr C. Having considered everything, I think £100 fairly compensates Mr C for the inconvenience of having to amend his tax return and I consider this award to be in line with this Service's guidelines on such compensation¹.

¹ <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>

Lastly, I appreciate the figures shown in Mr C's interest calculation breakdown don't match the amounts he's been paid. It's for our service to consider the loss suffered by the customer when considering the individual facts of a complaint. Given Mr C hasn't suffered a loss I don't uphold this part of his complaint. Our Service does not regulate firms, so it's not my role to make a finding on Skipton's overall internal reporting and auditing obligations. To the extent it has made an error, Mr C has benefitted by a few extra pence being credited to his account.

My final decision

Skipton Building Society has already made an offer to pay Mr C £100 to settle the complaint, and I think this offer is fair in all the circumstances. So, my decision is that Skipton Building Society should pay Mr C £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 5 March 2026.

Arazu Eid
Ombudsman