

The complaint

Miss B complains that The Co-operative Bank P.L.C. incorrectly applied interest charges to her accounts and reported this, causing her to be incorrectly taxed.

What happened

Miss B held accounts with a building society that is part of the Co-op group, and these were 'migrated' to Co-op's own platform. HM Revenue & Customs (HMRC) later contacted Miss B about underpaid tax, which she thought arose from this change. She sought Co-op's help in dealing with the tax liability, but complained about the lack of help and call backs.

Co-op said it migrated accounts in July 2023 as set out within its 'migration letter' and paid interest on Miss B's savings account with a further interest payment in April 2024. Co-op said this was within the terms and conditions of the accounts as it reserves the right to make changes when it gives notice. Co-op said that prior to the migration of the accounts it wrote to customers confirming that interest would be paid annually on 5 April.

Co-op said Miss B had called to discuss her concerns. The first call dropped and on the second call a call back was promised which did not happen. Co-op apologised for this and for only one attempted call back when Miss B complained. Co-op said it had responded to Miss B's complaint within the time allowed by the rules.

Miss B wanted her interest payments to be amended to correctly reflect the tax year under her previous account provider, who paid interest annually in January. Co-op said that as it pays interest in April it alerted customers with enough time to decide what they wanted to do with their accounts. Co-op said it hadn't delayed the migration of the accounts and it can change interest rates with notice to customers. Co-op offered Miss B £100 compensation.

Miss B wasn't satisfied with Co-op's response and referred her complaint to our service. She thought Co-op had reported tax on her account for the previous tax year in the tax year in question and she is unhappy with the explanation Co-op provided.

Our investigator didn't recommend that the complaint be upheld. She said interest was paid by Miss B's previous account provider in January each year, but Co-op informed her it paid interest in April. She said there was no mistake in Co-op's reporting of the interest to HMRC and it wasn't responsible for any change in Miss B's tax code. The investigator agreed that Co-op should have provided a better service and the £100 compensation it paid was fair.

Miss B didn't think this outcome was fair as Co-op's handling of her complaint was 'truly dreadful' and the investigator hadn't addressed the impact on her mental health. Miss B requested an ombudsman review her 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.

It is always regrettable when we see a bank process such as the migration of accounts to a new platform cause a customer difficulties. I sympathise with Miss B for the frustration she experienced and the harmful mental health effects she has mentioned. It's our role to identify if a business has made a mistake and if so, look at the impact this has had on the consumer.

In this complaint Co-op has not acknowledged any mistake in the handling of the migration process or payment of interest on Miss B's savings. However, it has apologised to Miss B for poor service in addressing her concerns.

I have seen the summary of changes letter Co-op sent to Miss B before her account was migrated to Co-op. This notice refers to the *'New account your funds will be transferred to'*, and states; *'Interest is calculated daily and is paid annually on 5 April.'* The letter compares this new arrangement with the previous interest payments for the pre-migrated account. I can see that Co-op's intention was to alert customers to the revised interest arrangements for their accounts and allow them to make alternative arrangements. I think this gave Miss B fair warning but I haven't seen any response to this notice from her.

Co-op then wrote to Miss B in July 2023 to confirm her savings account was now with the Co-op. Miss B said there were delays and this was poorly timed. Co-op has described the mass migration process as complex and I can understand it would have taken considerable time to accomplish fully. Having said this, I haven't seen any information that would support Miss B's contention that the conversion of the accounts to Co-op was delayed, or that the time taken to complete the process caused incorrect information to be provided to HMRC.

Miss B said the impact of the declaration of interest to HMRC was a change in her tax code at the start of the next financial year. There may be several factors involved in a change of tax code and tax codes set at the start of the financial year may be changed during the year. Notwithstanding this, the complaint concerns Co-op, (which has no control or influence over a tax code), and not any action taken by HMRC. Miss B will need to contact HMRC, if she hasn't already, for an explanation of her tax code.

Co-op hasn't deducted tax from Miss B's account, but in common with all banks, submitted an annual return to HMRC about interest earned during the tax year (6 April to 5 April). This simply states the interest earned within the tax year, not the two dates it was actually paid during the year and does not include any interest from an ISA account.

The figures given by Co-op have only been reported to HMRC once and as Miss B's account pre-migration closed in the tax year 2023/2024 both accounts earned interest that shows on Co-op's return to HMRC. Miss B thinks Co-op reported some interest earned from her old account for the incorrect tax year due to migration of the accounts. I haven't found anything to show that Co-op made a mistake in its reporting of Miss B's account interest.

I understand Miss B's point that Co-op's figures for her interest aren't clear to her due to the migration of her accounts part-way through the financial year. She said the account reference set against one entry listed on the statement to HMRC didn't correspond to her former or current account numbers. This was a declaration as required by HMRC and I am pleased Miss B's confusion was resolved after she discussed this with Co-op. Because I haven't seen evidence of any delays by Co-op in the migration of Miss B's account, I can't agree with her that this contributed to the confusion she experienced when Co-op provided the interest data for the financial year 2023-2024 to HMRC. As to the interest calculations Co-op provided, I can see this was paid correctly on the specified dates for Miss B's previous and Co-op accounts.

Co-op acknowledged that they could have communicated with Miss B much better and, that Miss B experienced some difficulties when trying to speak with them. I'm glad to see that Co-op has apologised for those errors and offered £100 compensation. I think this is fair and in

line with our guidance for poor service of this type and its impact on a consumer and I recommend Miss B accept this payment.

In conclusion, Co-op told Miss B that her old account paid interest annually on 1 January, but her new Co-op account would pay interest annually on 5 April. Co-op has the right under the terms and conditions to make these changes and gave fair warning. From what I've seen Co-op accurately reported the interest to Miss B's account to HMRC. And so, although I am sorry Miss B has then been advised by HMRC that she has underpaid tax, I have not found that this links to any mistake by Co-op. It follows that I cannot uphold Miss B's complaint.

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 Miss B to accept or reject my decision before 23 February 2026.

Andrew Fraser
Ombudsman