

The complaint

S, a limited company, complains that Shawbrook Bank Limited have incorrectly calculated the interest due on their fixed-rate bond.

What happened

The background to this complaint is well known to both parties, so I will only cover it briefly here. In S opened a 2-year fixed rate bond with Shawbrook bank in June 2024 with an annual interest rate quoted as 5.03%.

But S found that Shawbrook had calculated the interest rate of the account for 2024 based on the year having 366 days, because of the leap year. The director felt this was unfair and meant that the accrued interest for 2024 was less than expected, even though the bond hadn't been open during the extra day in a leap year. He complained to Shawbrook.

Shawbrook responded to say that they couldn't provide the underlying calculations, but the calculation of interest for 2024 was based on the calendar year having 366 days. They said this was explained in the terms of the account.

Dissatisfied with this the director referred S' complaint to our service, arguing that that the advertised interest rate of 5.03% wasn't achievable.

One of our investigators looked into what happened, but ultimately she thought that Shawbrook had paid the interest in line with the terms of the account. The director of S disagreed, so the complaint has now 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.

Having done so, I'm satisfied that Shawbrook don't need to do anything further here. I have read and reviewed S detailed submissions in relation to this complaint. I will say that our service's remit is resolve complaints quickly and informally – so I don't intend to respond to all the points raised in detail.

I understand S' position on the calculation of interest, and that they didn't actually have the funds held with Shawbrook on 29 February 2024. So, I can see where they are coming from.

The terms of the bond says this about how interest is calculated:

9. Interest

9.1. Interest accrues on a daily basis on cleared credit funds and We pay it in line with the conditions in the Key Product Information.

9.2. If an interest payment period includes 29 February, We will calculate the daily interest rate to reflect that extra day.

In the Key Product Information the 5.3% rate is referred to as the Annual Equivalent Rate – which is then says this “*illustrates the interest rate if it was paid and compounded each year*”.

The term “interest payment period” from section 9.2 of the terms isn’t defined, but from the information given in the Key Product Information, I see that it’s reasonable this relates to calendar years. Shawbrook have explained to S that if a calendar year includes the 29 February, they will calculate the interest throughout the year on the basis of the expected interest being divided over 366 days.

I can see that this is the basis of Shawbrook’s calculations:

- 5 June 2024 to 31 December 2024 – 210 days, interest rate of balance, divided by 366 then multiplied by 210
- 1 January 2025 to 4 June 2025 – 155 days, interest rate of balance, divided by 365 and multiplied by 155

I’m not satisfied that is entirely unreasonable, or that this was a mistake on Shawbrook’s part. I’m also not persuaded that they have departed from common banking practice in this either, despite S’ claims that Shawbrook are unique in this. There are differing methods about how both credit and debit interest are calculated during leap years between different banks and financial institutions. But the general guidance from the trade body UK Finance is to quote the AER based on 365 days, even if 366 days are used during a leap year. And this is what Shawbrook have done here.

While I understand why S feel they have lost out, I’m not persuaded they have. They have received the interest at the rate Shawbrook intended to pay, in line with the terms of the account. As such, I don’t see that they need to do anything more.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask S to accept or reject my decision before 2 March 2026.

Thom Bennett
Ombudsman