

The complaint

Mr M complains that Shawbrook Bank Limited mis-calculated the interest due to him on his cash ISA.

What happened

Mr M had a cash ISA with Shawbrook. He opened the account on 4 July 2024 with a cash deposit of £20,000. The balance was increased by a transfer in from another ISA account - £45,760.89 was paid in on 22 July, meaning the balance from then on was £65,760.89.

The account was described as a “1 year Fixed Rate Cash ISA”, with a fixed interest rate of 4.93%.

Shawbrook sent Mr M a statement on 4 July 2025. The statement said that interest was calculated between 4 July 2024 and 3 July 2025. Based on a balance of £20,000 until 22 July, and £65,760.89 thereafter, it said that interest of £3,126.67 was due for the fixed rate period.

Mr M complained. He said he didn't agree that the calculation was correct. He said he had calculated that he was due £3,130.75, and that therefore Shawbrook had underpaid interest by £4.08.

There followed some correspondence between Shawbrook and Mr M, in which both explained how they had done their calculations. Following that correspondence, both Shawbrook and Mr M maintained their own calculations were correct. But Shawbrook said that as a gesture of goodwill and to resolve things for Mr M, it would credit his account with £5, which was more than the interest he said he had been underpaid.

Mr M wasn't happy with that and brought his complaint to us. He said he accepted that while the amount was small in his case, it was important that Shawbrook gets its calculations right – across all its customers, this could make a big difference.

Our investigator said that there were different ways of calculating interest. He understood why Mr M didn't agree with Shawbrook's methodology, but he wasn't persuaded it was an unreasonable one for it to have adopted. He didn't think the complaint should be upheld. Mr M didn't agree and asked for an ombudsman to review his complaint.

My provisional decision

Having considered the complaint, I issued a provisional decision setting out my thoughts. Firstly, I noted the difference between the approach Shawbrook had taken and the approach Mr M thought it should take:

“Mr M has based his calculation on the account being open for 365 days. He's calculated interest based on the balance each day, which adds up to £3,130.75. Essentially, he's divided 4.93% annual interest by 365 days. This gives 0.01351% interest per day.

Shawbrook has taken a slightly different approach. It's not simply worked out the number of calendar days the account was open, as Mr M has. It's also taken into account the number of days in the year. 2024 was a leap year, with 366 days, whereas 2025 was not. So Shawbrook has calculated daily interest for 2024 as 0.01347% (4.93 divided by 366) and as 0.01351% for 2025 (4.93 divided by 365).

The difference of approach here is accounting for the fact that 2024 was a leap year. Mr M says that's not fair, because the extra day – February 29 – didn't fall within the period his account was open. His account was open for 365 days, was marketed as being a one year account with a one year rate of 4.93%, and so daily interest should be based on 365 days.

Whereas Shawbrook has calculated daily interest based not on the number of days the account was open, but on the number of days in the years in which the account was open. The daily interest rate – expressed as a proportion of the annual rate – is very slightly lower in a leap year than a standard year. 2024 is a leap year, so Mr M earns slightly less interest on the days in 2024 that his account was open."

I then considered the account terms and conditions. Condition 10.2 says

"If an interest payment period includes a leap year day (i.e. 29 February), the daily interest rate will be calculated to reflect that extra day. This means that the interest rate accrued on a daily basis may be different."

I noted that the term "interest payment period" is not a term that's defined in the contract. Mr M understood it to mean the period during which the account was open and in which he would earn interest. That period does not include February 29, and so he was earning interest at the fixed rate for 365 days. Mr M therefore understood that the correct daily interest rate was $1/365$ of 4.93% for 365 days. Whereas Shawbrook paid interest based on a daily rate of $1/366$ for July to December 2024 and $1/365$ for January to July 2025.

I thought Mr M's interpretation was a reasonable one for him to have reached. Based on that calculation, he had been underpaid interest by around £4. I concluded:

"However, Shawbrook has offered to pay Mr M £5 to resolve this complaint. Mr M himself says that he has brought this complaint on a question of principle and does not seek any compensation for his own benefit beyond the underpaid interest. In the circumstances, I think Shawbrook has made a fair offer."

In reply, Mr M said that he wasn't asking for Shawbrook to pay him compensation, but he thought it should apologise and make a donation to charity in lieu of compensation. He also said that he wanted Shawbrook to allow him to transfer his ISA elsewhere without penalty or loss of interest.

Shawbrook noted that I didn't intend to uphold the complaint in light of its earlier offer to Mr M. But it didn't agree with my reasons. It said it had calculated interest correctly, in line with the account terms and conditions and with standard practice. It also said my findings weren't consistent with other ombudsman decisions. It said it applied an annual equivalent rate (AER), and that was set out in the terms and conditions. It said it didn't think deciding on its pricing fell within my remit.

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 also considered again the findings of my provisional decision in light of the responses to it. And I've taken into account the other decisions Shawbrook has referred me to. But I think it's important to point out that no one ombudsman decision forms a precedent for any other. Each case is decided based on the ombudsman's view of what is fair and reasonable in all the circumstances of the individual case – and that's what I've done here. This is not a decision about how Shawbrook prices its accounts, it's a decision about whether it has acted fairly and reasonably in the circumstances of Mr M's complaint that he has suffered a loss.

I've reviewed again the terms and conditions of the particular account Mr M held. Condition 10.1 says that Shawbrook "calculate[s] interest on a daily basis on cleared credit funds and we pay it as set out in the Key Product Information terms". The Key Product Information says "interest is calculated daily. Interest will be paid on the anniversary of the date we receive your first deposit". There's no reference to how interest is calculated, or to any methodology for doing so, other than condition 10.2 which I've quoted above.

The Key Product Information does define the AER, and says "If you left a sum of money in your account all year, the AER would be the interest rate you'd get if we paid you interest during the course of the year and your subsequently higher balance then earned more interest (this is known as Compound Interest). The AER will only be higher than the gross interest rate where we pay you interest more than once a year." This doesn't explain how interest is calculated where part of the period the account is open includes a leap year but not the leap day itself.

As I say, I'm only considering the individual circumstances of Mr M's particular complaint. I'm aware there is different treatment of this issue across different accounts and different banks. I understand what Shawbrook has explained about why it took the approach it did. But I also understand why Mr M had a different expectation. In the individual circumstances of this particular complaint, I can see that Mr M's account didn't operate in the way he expected it to – and having considered all the documents and the information Shawbrook gave him, I think his expectation was a reasonable one.

However, given the additional interest he expected to receive was around £4, and Shawbrook paid him an additional £5 when he complained, I'm not persuaded Mr M has suffered any financial loss for which I now need to compensate him. The Financial Ombudsman Service can only award compensation for non-financial loss to the complainant directly to reflect any distress and inconvenience they may have experienced. I have no power to require Shawbrook to make any kind of donation to charity.

I've also noted that Mr M wants me to require Shawbrook to allow him to close or transfer his ISA without loss of interest. But I don't think I can fairly do that as part of this complaint. The fixed rate period which is the subject of this complaint is now over. I understand Mr M chose to renew the fixed rate and remain with Shawbrook. But as the current fixed rate period does not fall within any part of a leap year, the same issue will not arise again. He says that he wants to be allowed to transfer because Shawbrook wrote to him in December 2025 notifying him of a change to the terms and conditions. But that's outside the scope of this complaint. If Mr M is unhappy about that change he'll need to raise it as a new complaint with Shawbrook first. He can then bring that complaint to us if he's unhappy with Shawbrook's response to it.

In conclusion, I remain of the opinion that in paying the additional interest Mr M understood he would be entitled to, Shawbrook has reached a fair and reasonable outcome to this complaint. I therefore don't require it to take any further action.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 March 2026.

Simon Pugh
Ombudsman