

complaint

Mrs D and Miss D complain that Bank of Ireland (UK) Plc (trading as Post Office Money) deducted tax from their interest despite registering for gross interest.

background

Mrs D and Miss D held two accounts with Post Office Money. They registered for gross interest for their savings bond. But Post Office Money says a separate R85 form was needed for the other saving account. Post Office Money says that although Mrs D and Miss D considered the registration should've been carried over from their other account, it can't be held responsible for this.

Before this service became involved, Post Office Money offered Mrs D and Miss D £75 for any failing in customer service. It sent them two R85 forms to register the account for gross interest.

Our adjudicator didn't recommend that Mrs D and Miss D's complaint be upheld. He said he couldn't be sure whether Mrs D and Miss D were aware that both accounts needed to be registered separately. But that Post Office hadn't acted unfairly. Our adjudicator didn't consider Post Office Money should refund the tax paid.

Mrs D and Miss D aren't happy with our adjudicator's recommendation. Their representative says they don't have the financial capability to deal with lengthy tax refund forms. Mrs D and Miss D question whether Post Office Money paid the tax immediately to Her Majesty's Revenue & Customs (HMRC). As they say it might've been possible to refund it once the mistake had come to light. Mrs D and Miss D also say they've been deprived of earning additional interest.

my findings

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 agree with the conclusions of our adjudicator.

I'm sorry to hear that Mrs D and Miss D have ended up paying tax unnecessarily. I can appreciate it's inconvenient to have to fill in forms so that Her Majesty's Revenue & Customs (HMRC) can refund the tax. But I need to consider what mistake, if any, Post Office has made.

Mrs D and Miss D have another complaint with this service concerning Post Office's failure to register their bond account for gross interest. But the complaint that I'm considering now concerns Mrs D and Miss D's savings account.

On maturity at the end of November 2015, Post Office paid the money from the bond account in to a savings account. This was because Post Office didn't receive any maturity instructions for the bond account. I appreciate Mrs D and Miss D might not have realised they each needed to complete a separate R85 form for the new savings account. But I don't find this was down to Post Office's error. The terms of the savings account say each account holder must register for gross interest.

Mrs D and Miss D say they've lost out on interest. I can see over £152,000 was paid in to the savings account on 1 December 2015. The savings account was closed on 15 January 2016 at which time it had earned £253.33 interest. And Post Office deduced £47.07 tax. But Post Office wrote to Mrs D and Miss D on 9 December 2015 explaining they would need to complete two R85 forms in order to register for gross interest. If Mrs D and Miss D had done this it seems likely Post Office wouldn't have deducted tax when the account was closed a month later. This means I don't find Post Office should refund any additional interest on the tax paid of just under £50.

Before this service became involved, Post Office offered Mrs G £75 compensation. I appreciate Mrs D and Miss D don't consider this is adequate. But as Post Office didn't make a mistake in not registering the new savings account for gross interest, I can't require it to pay more. I leave it with Mrs D and Miss D to let Post Office know whether they want to accept the £75 offered if it hasn't already been paid.

If Mrs D and Miss D still want to reclaim the tax paid, they should complete the relevant form and send it to HMRC.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Miss D to accept or reject my decision before 2 September 2016.

Gemma Bowen
ombudsman