

The complaint

Mr and Mrs B's complaint relates to how Barclays Bank UK Plc shows interest earned, when interest from their Individual Savings Accounts (ISAs) is paid into their joint savings account and what it may then report to HMRC.

What happened

Mr and Mrs B each have an ISA with Barclays. They asked for the interest earned on those accounts to be paid into their joint savings account, an 'Everyday Saver'.

The interest payments from the ISA were paid into the nominated account monthly but these amounts plus the interest earned on the Everyday Saver were totalled and shown as the whole interest earned on the account each month. Mr and Mrs B believed this information was misleading and were concerned that Barclays would report to HMRC the ISA interest at the end of the financial year. They said this was in contravention of HMRC regulations that provide ISA interest is "tax free" and doesn't require ISA interest to be reported.

Mr and Mrs B complained to Barclays about this. They wanted a definitive answer on what it will report to the HMRC and for their statements to be amended to exclude the ISA interest from the total "interest earned" on the Everyday Saver. Mr B said the ISA interest should read as a transfer from the ISAs.

Barclays investigated and issued a final response. In summary, it apologised and accepted the information on the statements about the total interest earned wasn't correct. It said it couldn't amend the statements as these had already been produced but that if HMRC approached Mr and Mrs B about the interest earned, they could show their Everyday Saver statements and the final response letter to show that the interest wasn't earned on the account but on their ISAs instead. And it credited Mr and Mrs B with £250 compensation for the inconvenience caused.

Mr and Mrs B didn't think this resolved their complaint. They said, should Barclays include the interest as it had on their statements and report this to HMRC they would be required to pay tax on the element of ISA interest. This would be a financial loss.

One of our investigators looked into the complaint but he didn't think Barclays needed to do anything more. He said that no issue with HMRC had occurred and Barclays's suggested workaround and compensation represented a fair response.

Mr and Mrs B disagreed. They said they wanted the problem with the statements fixed, an answer from Barclays on what it will report to HMRC, additional compensation for the anxiety caused, potential additional tax liability covered and for an investigation into the lack of interest shown in the complaint by Barclays.

Our investigator didn't change his mind. So, the case has now come to me.

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 not going to uphold this complaint. I realise Mr and Mrs B will be disappointed, so I'd like to explain why.

I fully accept Mr and Mrs B's point about what the information shows on their statements. I also understand why they'd be concerned there could be a potential tax liability. But Barclays has acknowledged the problem, said its sorry and paid £250 for any inconvenience this issue has or may cause. I think this is reasonable when also considering the suggestions it has made to deal with any difficulties that may arise.

HMRC requires individuals to declare any interest earned on bank, building societies and other accounts. But it explicitly excludes interest earned on ISAs.

As far as I can tell, this issue hasn't caused a problem with HMRC and I've no reason to think it would be a problem. But even if it eventually was, Barclays has given Mr and Mrs B what I consider to be a reasonable solution. Barclays has said they can show HMRC the statements from their Everyday Saver account, which shows the interest paid in from their ISAs was earned on the ISAs, as it denotes the relevant numbers. It has also told us that it can evidence to HMRC how the interest has been earned so I consider this should give them further reassurance. HMRC also holds information on ISAs as part of its own records to assist with any reconciliation and Mr and Mrs B can include the bank's final response letter (if necessary). So if HMRC did query the interest earned, I'm sure it would be more than capable of understanding there's an element of ISA interest here that's tax free and there shouldn't be a tax liability for it.

Mr and Mrs B have mentioned the potential financial loss to them if taxed on their ISA interest by HMRC. It should be noted that our service can only require firms to pay compensation for actual loss, not what may happen in the future.

Thinking about all of this, I'm satisfied that Barclays has provided a fair response in a reasonable time frame, which should have mitigated any initial distress and inconvenience Mr and Mrs B may have felt. So, I consider the compensation here is fair.

In closing, I do appreciate Mr and Mrs B would like to see Barclays do more to help with this, but I'm not going to require it to do so because what they have done to address the complaint is fair and reasonable in all the circumstances.

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 B and Mrs B to accept or reject my decision before 31 January 2024.

Sarita Taylor
Ombudsman