HMRC - IPT07940 - Statutory Interest

Statutory interest also falls within the scope of the scheme, and is subject to the same terms and conditions as any other money reimbursed under the scheme. It must be refunded to the consumer, simply because it was the consumer who ultimately did not have use of the money, not the insurer. Therefore, any statutory interest must be refunded in full, and any amounts not reimbursed must be returned to HMRC within the specified time limit. The rates of interest are set by the Insurance Premium Tax (Prescribed Rates of Interest) Order, SI 1998/1461.

It may be difficult for insurers to divide interest fairly among their customers, because some of the sums involved may have been paid earlier than other amounts. Nor do the regulations specify how this problem can be overcome. One solution might be to give the insurer a printout of the statutory interest calculation, which calculates simple interest on a period-by-period basis. This way the insurer should be able to divide interest payable into the amount overpaid for each period and allocate it to each consumer accordingly.

Previous page

Next page