

The complaint

Mr G is unhappy that Lloyds Bank PLC didn't correct an incorrect interest calculation he made when in branch to open a savings account.

What happened

Mr G opened a twelve-month fixed-term savings accounts with Lloyds during an in-branch appointment. The savings account paid 6.25% interest and allowed a maximum monthly deposit of £400.

During the appointment, Mr G stated his intention to fund the savings account with the maximum permitted deposit of £400 per month, and his daughter, who was present at the appointment with Mr G, made a calculation of how much interest Mr G would receive at the end of the twelve-month term.

However, when the twelve-month term ended, Mr G noticed that the amount of interest that Lloyds had credited to the savings account was less than he'd anticipated receiving. Mr G wasn't happy about this, especially as Lloyds' staff member who'd conducted the appointment when he'd opened the savings account hadn't suggested that the interest calculation undertaken by his daughter was incorrect. So, he raised a complaint.

Lloyds responded to Mr G and confirmed that interest had been paid correctly on the savings account in line with the terms and conditions of the account. However, Lloyds couldn't locate a recording of the appointment, and so they accepted Mr G's position that their staff member hadn't corrected Mr G's incorrect expectation about the interest he would earn.

Lloyds apologised to Mr G for this and made a payment of £30 to him as compensation for any trouble and upset he may have incurred as a result – although they noted that information about how interest would be accrued on the account was included in the account literature that Mr G had been provided with at the appointment. Mr G wasn't satisfied with Lloyds' response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Lloyds should fairly be asked to pay the interest that Mr G had incorrectly expected to receive, and they felt Lloyds' response to Mr G's complaint, including they apology and payment of £30 compensation, already represented a fair resolution to what had happened. Mr G didn't agree, so the matter was escalated to an ombudsman for a final decision.

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.

Mr G has explained that during the appointment when he opened the savings account, his daughter verbally calculated the amount of interest Mr G would earn if he opened and fully funded the account in question. However, Mr G's daughter appears to have gotten her calculation wrong and based it on Mr G receiving interest on the total amount that he would

invest during the twelve-month term for the full twelve-month term. Specifically, that Mr G would earn 6.5% interest on £4,800 (12 x £400 month deposits) which equates to £312.

However, as explained, Mr G's daughter's calculation was wrong. And this is because the savings account pays interest daily, which means that Mr G's first £400 deposit would earn interest for twelve months, while the second £400 deposit (made the following month) would only earn interest for eleven months, and so on.

How interest is paid on the account is clearly explained in the terms and conditions of the account, which Mr G was provided at the time of appointment. Specifically, these terms say:

"As we work out your interest each day and pay it at the end of 12 months, you won't get a full year's interest on all your savings. For example, if you save £100 each month, we'll pay interest on your first £100 for 12 months, the second £100 for 11 months, and so on."

As such, I'm satisfied that information about how interest would be calculated on the account was made available to Mr G when he opened the account. And I'm also satisfied that interest has correctly been paid to Mr G on the savings account in accordance with the terms of the account.

Additionally, how Lloyds calculate interest on the account makes sense to me and doesn't seem unfair. And this is because I feel it's unreasonable to expect a bank to pay interest on money for time which that money hasn't been deposited with the bank.

Mr G is unhappy that the Lloyds staff member who conducted the appointment didn't correct his daughter's incorrect interest calculation, which he feels led him to develop an incorrect expectation of the amount of interest he would receive at the end of the twelve-month term.

Since responding to Mr G's complaint, Lloyds have been able to locate a recording of the appointment in question, which they've provided to this service. However, upon listening to this recording, while it's evident that Mr G's daughter does speak, it isn't clear from the recording exactly what she says.

However, I'm happy to accept Mr G's position that his daughter did verbally state an incorrect interest calculation which Lloyds staff member didn't correct. But I don't feel that it follows from this that Lloyds should be expected to pay Mr G interest on the account in line with his daughter's incorrect calculation as Mr G would like.

This is because, as explained above, the correct information about how interest would be calculated on the account was provided to Mr G at the time of the appointment. And I don't feel that it would be fair or reasonable to instruct Lloyds to pay interest to Mr G on money that he hadn't deposited with Lloyds.

All of which means that I don't feel that Mr G has been treated unfairly by Lloyds regarding the amount of interest they've paid to him – which as explained, I'm satisfied is correct and in accordance with the terms of the account. But where Mr G has been treated unfairly is that he was allowed to develop an incorrect expectation of the interest he would receive because Lloyds staff member didn't correct his daughter's incorrect interest calculation.

Lloyds have apologised to Mr G for not correcting this incorrect expectation he developed. And Lloyds paid £30 to Mr G as compensation for any trouble or upset he may have incurred as a result. This feels fair to me, and I don't feel that Lloyds should be instructed to take any further action beyond this.

I take this position because, as explained, while Lloyds didn't correct Mr G's incorrect expectation, they did provide the correct information about how interest would be accrued on the account to Mr G at the time of the appointment. And, ultimately, I don't feel that it's Lloyds' fault if Mr G chose to rely on the incorrect calculation conducted by his daughter rather than on the correct information he was provided by Lloyds. Furthermore, as explained, I'm also satisfied that Mr G has received the correct amount of interest that he should have received on the account.

So, while Mr G did develop an incorrect expectation here, which Lloyds staff member didn't correct, I don't feel Mr G incurred any financial detriment (because he received the correct interest amount) and I feel that Lloyds' payment of £30 already fairly compensates Mr G for not correcting his incorrect expectation.

Importantly, it was never the case that Mr G would have earned interest on the account inline with incorrect interest calculation conducted by his daughter. And I reiterate that I wouldn't consider instructing a bank to pay interest to an account holder for time when the money in question hasn't been deposited with the bank.

I take this position in consideration of the circumstances of this complaint as I've described them, and in consideration of the general framework this service uses when assessing compensation amounts, details of which are available on this services website.

All of which means that I won't be upholding this complaint or instructing Lloyds to take any further action here. In short, this is because I'm satisfied that the response that Lloyds have issued to Mr G already provides a fair and reasonable resolution to this complaint.

I realise this won't be the outcome Mr G was wanting, but I hope that he understands, given what I've explained, why I've made the final decision that I have.

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 Mr G to accept or reject my decision before 16 December 2024.

Paul Cooper
Ombudsman