

Incorrect bank interest issues

General Features

Personal tax



23 February 2026

LITRG recently published an article aimed at taxpayers, highlighting cases where there appear to be mismatches in the bank and building society interest included in HMRC's tax calculations. Here, we draw out a few key points that may be useful for advisers to be aware of.

HMRC increasingly relies on interest figures reported by banks and building societies to pre-populate customers' records (although not self-assessment tax returns at present). This information is used to inform:

- the issue of PAYE notices of coding and tax calculations, such as P800s and simple assessments; and
- checks to ensure self-assessment tax returns are accurate and complete.

While this system works in many cases, discrepancies do occur and can result in unexpected or incorrect PAYE codes and tax calculations.

Unexpected or incorrect figures can arise for a number of reasons, including:

- **Multiple accounts combined:** HMRC aggregate interest across various accounts without specifying the source of each figure, which can make reconciliation difficult.
- **Use of estimated figures:** HMRC may use estimates in tax codes and tax calculations based on previous years, which can be out of date or misleading.
- **Recently opened or closed accounts:** New accounts may not yet appear in HMRC's data, while closed accounts may continue to be reported or estimated inaccurately.
- **Dormant or forgotten accounts:** Small or dormant accounts can still accrue interest that taxpayers may overlook, even though the bank reports it to HMRC.
- **Basic data errors:** Straightforward mismatches can occur when HMRC attempt to attach bank-supplied information to taxpayer records, for example, to the wrong tax year.
- **Incorrect inclusion of non-taxable interest:** ISA interest and other exempt amounts may occasionally be included in error, including interest accrued on fixed-term accounts, which is not taxable until it is paid.
- **Joint account allocation issues:** Interest may not be split correctly between joint account holders.
- **Misassigned interest held on behalf of others:** Accounts managed under powers of attorney or held on bare trust can lead to income being attributed to the wrong taxpayer.
- **'Scrambled' information:** In rare but serious cases, interest belonging to entirely different taxpayers can appear.

These issues and errors can be particularly problematic for those with lower tax awareness or digitally excluded taxpayers, who may not have easy access to full financial records, HMRC's Personal Tax Account, or the means to easily contact banks or HMRC to understand what is happening with their tax position. In some cases, taxpayers may assume HMRC's information is correct and do not query it. In others, incorrect figures may not be challenged because they do not result in over- or under-taxation in the current year, due to the availability of allowances, even though they can distort future tax codes and estimates.

Practical steps for advisers

Advisers may wish to review HMRC interest figures proactively for taxpayers who may be at risk, including potentially friends and family members. Alternatively,

alerting clients to potential issues and encouraging them to scrutinise not only interest entries but also the wider tax calculation, such as ensuring the inclusion of allowances and reliefs, should help ensure accuracy.

Where discrepancies arise, advisers should be prepared to challenge HMRC's figures and seek corrections, and/or support clients to do so themselves. Our full article provides further guidance on how to do this, based on our understanding of current processes.

We have asked HMRC for comment on our article and are seeking clarification of the process for correcting errors and omissions on tax codes and tax calculations. In the meantime, we would be very interested to hear from advisers about any similar issues they are seeing in practice, including:

- the types of errors encountered;
- how easy (or otherwise) it is to get HMRC to correct them; and
- whether certain groups of taxpayers appear to be particularly affected.

Any insights shared would be extremely helpful in building a clearer picture of how widespread these problems are and how they are affecting taxpayers.

You can find our article 'Check the savings interest figure included in your tax calculation - it's not always correct' [here](#).

Meredith McCammond mmccammond@litrg.org.uk