

# Savings

Your interest...  
and how we work it out

Changes were made to the way we calculate interest from 8 January 2007. This leaflet explains how interest is calculated from this date. If you require details of how interest was calculated prior to this date please contact us using the useful contacts section at the back of this booklet.

## How is my interest calculated?

We use a standard calculation to work out the amount of interest you earn:

<p>Cleared balance (or transaction amount)</p> <p>x interest rate (or rate change difference)</p> <p>x number of days to the next interest payment date</p> <p>÷ number of days in the year</p> <p>(i.e. 365 or 366 in a leap year)</p>
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When you open your account, we project how much interest you will be paid at the next interest payment date, assuming the balance and the interest rate don't change.

For example:

Transaction type:	Cash deposit
Amount:	£10,000.40
Interest rate:	2.50%
Date paid in:	5 Jan 2015
Interest payment date:	30 June 2015
Number of days to the next interest payment date:	177
$£10,000.40 \times 2.50\% \times 177 \text{ days} \div 365 \text{ days} = £121.23 \text{ gross}$	

This is the gross amount of interest due.

Some accounts, such as Cash ISAs, have interest paid tax-free. If this is the case the details will be provided in your terms and conditions.

## What happens if I make additional transactions?

If you make further transactions, the amount of interest due will either increase or decrease depending upon whether you pay funds into the account or make withdrawals.

For example:

Transaction type:	Cheque withdrawal
Amount:	£2,000.48
Interest rate:	2.50%
Date withdrawn:	1 May 2015
Interest payment date:	30 June 2015
Number of days to the next interest payment date:	61
$£2,000.48 \times 2.50\% \times 61 \text{ days} \div 365 \text{ days} = £8.36 \text{ gross}$	

Because this is a withdrawal, this amount will be deducted from the amount you are due to be paid.

The new amount of interest you are due to receive on 30 June 2015 in the example, is £112.87 gross (£121.23 - £8.36).

## When do I earn interest on a deposit?

If you pay cash into your account, your account will earn interest from the day of receipt. Deposits via CHAPS (Clearing House Automated Payment System), BACS (Bankers Automated Clearing Services) and FPS (Faster Payments Service) will also earn interest from the business day of receipt.

You will earn interest from the day of the payment if you transfer funds from another Virgin Money account or if a Virgin Money cheque is paid in.

Payments made by cheque have to go through the cheque clearance cycle. This enables banks to check your instructions, make sure there are sufficient funds available and transfer payments. If you pay a cheque into your Virgin Money account, the money will be available for withdrawal on the fourth business day after we process the cheque. However, you will start earning interest two business days after deposit (for all cheques which are not Virgin Money cheques). Please note you can only be certain the money is yours by the end of the sixth business day after we process the cheque, from which point the money cannot be taken from you without your agreement unless you are a knowing party to fraud.

## What about when I make withdrawals?

If you withdraw funds from your account by cash, cheque, FPS, CHAPS or BACS we will pay you interest up to and including the day prior to the date of withdrawal. In the case of transfers between Virgin Money accounts, we will pay interest up to and including the day prior to the date of the transfer on the account from which the funds are withdrawn.

For all relevant account charges, please see Condition 11 of the Savings Terms and Conditions. For where to obtain a copy of this leaflet, please see the 'Useful contacts' section at the back of this booklet.

## What about notice accounts?

If you have to give notice to make a withdrawal without loss of interest, this will be stated in the terms and conditions of your account.

You may make a withdrawal without giving notice, but you will incur a charge equivalent to a loss of interest. This is usually offset against the interest you have already earned but which has not yet been paid.

In some cases, if you haven't earned enough interest, the charge may be deducted from your capital, either when the transaction is made or when the next interest payment is due. HM Revenue & Customs has advised us that such a charge against capital is not a reduction of interest, but a loss of capital. Therefore, any portion of charge deducted from capital, is not a reduction in interest, but a specific charge for early withdrawal.

For example, for a 30 Day Notice Account when no notice is given, the charge will be equivalent to 30 days loss of gross interest.

## What about rate changes?

If we change the rate on your account (or if you move through different interest rate bands relating to the balance of the account), the interest due will be adjusted in the same way.

For example:

Balance:	£7,999.92
Interest rate change:	from 2.50% to 3%
Date of rate change:	1 June 2015
Interest payment date:	30 June 2015
Number of days to the next interest payment date:	30
$£7,999.92 \times 0.50\% \times 30 \text{ days} \div 365 \text{ days} = £3.29 \text{ gross}$	

This is an increase and the new amount of interest due using the example, is **£116.16 gross (£112.87 + £3.29)**.

The terms and conditions of your account ensures that we will endeavour to tell you your new interest rate in advance of any rate change.

## How is interest paid?

The dates when interest is paid are shown in the relevant Key product information sheet. We will calculate your interest up to and including these dates. We will credit interest to your account on the interest payment date.

Prior to 30 June 2013, if you have asked us to transfer your interest to an external bank account, we prepared interest payments prior to the actual interest due date (also known as 'interest cut off' period) to ensure that any payments sent to your bank or building society were not delayed. In most cases this is calculated around the 26th of the month.<sup>†</sup>

Any withdrawals, investments or interest payments made after the interest payments have been prepared will only be taken into account when the next interest payment is calculated. This may mean that overpayments are deducted from your account.

From 30 June 2013 we made changes to the way we pay interest. Interest is now paid on the interest payment date, meaning there is no longer a need for the 'interest cut off' period. We send interest payments to other institutions by Faster Payments Service.

<sup>†</sup>Except in relation to Save Direct and Online accounts.

## Additional information

The automatic deduction of tax on savings interest ceased with effect from 6 April 2016. We pay interest without deducting income tax, unless HMRC/the law requires otherwise. However, depending on your personal circumstances, you may be liable to pay income tax on the interest you have earned. Please visit [www.gov.uk/hmrc/savingsallowance](http://www.gov.uk/hmrc/savingsallowance) for further information.

We do not issue Certificates of interest paid and tax deducted automatically. However, once you have requested and received a Certificate of interest paid and tax deducted we will provide further certificates in April each subsequent year that the account remains open and, for closed accounts, in the tax year the account is closed.

If you need any further advice about these issues, you should contact your local tax office.

## What happens to interest when I close my account?

We calculate your closing interest before the closing transaction is carried out, regardless of how you have chosen to have interest paid. The closing interest is then credited to the balance of your account.

We will pay you closing interest up to and including the day prior to the date of closure.

## What about monthly accounts?

Interest is calculated in the same way for monthly accounts, although generally you cannot choose to have interest credited to the account.

## What happens in a leap year?

In a leap year, interest is calculated in the same way, but as there are 366 days in the year, we use this to determine the daily rate.

So, if the interest payment period incorporates the leap year day of 29 February, the calculation changes as follows:

$$\begin{array}{r} \text{Cleared balance (or transaction amount)} \\ \times \text{ interest rate (or rate change)} \\ \times \text{ number of days to the next interest payment date} \\ \div 366 \text{ days} \end{array}$$

Virgin Money plc will always calculate the daily rate depending upon the number of days in a year, be it 365 or 366.

## What if I have a query about the amount of interest on my account?

If you have a query about the amount of interest you have earned, please contact us by using the details found in the useful contacts section at the back of this booklet.

If you don't agree with our response we can provide you with an Interest Calculation Statement.

## Alternative format

If you require this in an alternative format such as Braille, large print, audio or require interpreter services, please call our Disability Awareness Team on 0191 279 5300. Alternatively our text phone number is 0191 279 8505 or you can contact us at [disability.awareness@virginmoney.com](mailto:disability.awareness@virginmoney.com). These contact details should not be used for general enquiries relating to your account.

## Useful contacts

For details of our up to date products, current interest rates or your nearest Virgin Money store please contact us on:

**Our Savings helpline**      **0345 600 7301\***  
**0191 279 4405**

\*Lines are open 8am to 8pm business days, 8am to 4pm Saturday and 10am to 3pm Sunday. Calls to 03 numbers cost the same as calls to 01 or 02 numbers and they are included in inclusive minutes and discount schemes in the same way. Calls may be monitored and recorded.

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