Savings Interest Calculations and Interest in a Leap Year

For accounts where interest is paid monthly or annually on 1 January each year the Society calculates interest in the following way:

A: We take the savings account balance;
B: Multiply it by the interest rate;
C: Divide this by the number of days in the year; and
D: Multiply this by the number of days between interest payment dates.

Non Leek Building Society cheques paid into your account will only begin to earn interest after two calendar days.

In a leap year, the interest is spread out across the number of days – which means that you don't get any extra interest in a leap year. This is because the amount of interest that you'll earn each day during a leap year will be slightly less than in a non-leap year (part C will be divided by 366 rather than 365) to account for the extra day.

For accounts where interest is paid annually on the anniversary of the account opening date:

Generally speaking, interest in respect of these accounts is calculated using the same approach as that outlined above. Importantly though, the way that we take account of leap years is slightly different.

The two main differences are detailed below:

1)Where an account with interest paid on the anniversary date is opened in a non leap year and the next interest payment falls after 29 February in a leap year.

In this scenario, we'll use 365 days for part C of the interest calculation. This will always be the case, even where the following year is a leap year and interest isn't set to be paid until after 29 February. Where the next interest payment falls after 29 February in a leap year though we'll use 366 days for part D of the calculation.

In effect, this means that you'll earn a little more interest in this scenario – the equivalent of an extra day's worth (or 1/365th).

A worked calculation, using an example balance of £1,000 is shown below.

Interest period commenced on 1 April 2023 with the next interest payment calculated to 31 March 2024 (where 2024 is a leap year & a 2.00% annual rate of interest is applied) –

A: Account balance of £1,000
B: Multiplied by 2.00% gives £20
C: Divided by 365 gives £0.0547945
D: Multiplied by 366 (as the period includes 29 February) gives £20.05

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Where an account with interest paid on the anniversary date is opened in a leap year after 29 February and the next interest payment falls in a non leap year.

In this scenario we'll use 366 days for part C of the interest calculation. However, we'll still use 365 days for part D of the calculation. This is because the account was opened in a leap year but interest will be paid in a non leap year.

In practice, this results in you earning a little less interest in this scenario (with the annual interest calculated as 365/366^{ths}).

A worked calculation, using an example balance of £1,000 is shown below:

Interest period commenced on 1 April 2024 with the next interest payment calculated to 31 March 2025 (where 2024 is a leap year & a 2.00% annual rate of interest is applied) –

A: Account balance of £1,000
B: Multiplied by 2.00% gives £20
C: Divided by 366 gives £0.546448
D: Multiplied by 365 (as the period doesn't include 29 February) gives £19.95

Any questions
If you have any questions about how we've calculated your interest – or there's anything else that we can help you with – then please don't hesitate to get in touch. Details of your local branch can be found on our website at https://www.leekbs.co.uk/branches/. Alternatively, our Savings Team can be reached by calling 0808 281 9308 or by sending an e-mail to savings@leekbs.co.uk.