

The complaint

X complains that Tesco Personal Finance PLC trading as Tesco Bank (“Tesco”) unfairly applied a cash transaction fee to a purchase he made on his credit card.

What happened

Earlier this year, X bought some commemorative coins online and paid using his Tesco credit card. Tesco applied a cash transaction fee of 3.99% and interest to the transaction. X wasn't happy about this and complained to Tesco. He says he's used different cards to make this type of purchase before and has never been charged a fee. He thinks the fee is unfair and that Tesco should have warned him that it would apply before completing the transaction.

Tesco said it changed its definition of cash transactions in April 2018 to include this type of transaction. It said a Notice of Variation (“NoV”) detailing this change was sent to X with his statement in April 2018. It said that X's transaction was an investment and so falls within the definition of cash transactions, as set out in the NoV. So it didn't think it had made a mistake by applying the fee and related interest.

X wasn't happy with Tesco's response and brought his complaint to this service. Our investigator didn't think Tesco had done anything wrong. But X didn't agree and asked for his complaint to be reviewed by an ombudsman. He doesn't think his purchase should be treated as an investment and says that the fee is unfair. He wants Tesco to refund it together with the interest applied.

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.

Having done so, I've decided not to uphold X's complaint. I'll explain why.

I've seen a copy of the NoV. It summarises the key changes to X's credit card agreement and says that Tesco is changing the types of transactions that it classifies as cash. It goes on to set out the specific changes being made and, in the section about fees and charges it says *“a handling fee of 3.99% (no minimum charge) of the amount for cash transactions. Cash transactions are gambling transactions, wire or international money transfers, repaying borrowing (e.g. loans and mortgages), purchasing non-sterling currency outside of Tesco, payments to prepaid or virtual cards, investments, share trading and spread betting”*. Below this, it says *“The types of transactions classified as cash are listed above”*.

X can't recall receiving this document, although he's not saying he didn't receive it. Tesco says it was sent electronically with his statement in April 2018. Tesco has provided a screenshot confirming that X was receiving his statements online and that none of its emails to him bounced back. I think on balance that Tesco did send the statement and NoV to X in April 2018. So I'm satisfied it told him what it classed as cash transactions.

X says that, even if he received the NoV, it's not fair for him to be expected to remember the terms and conditions and how they will apply to particular transactions. He says he wouldn't have used his Tesco card for this purchase if he'd known the fee would be applied. I understand his point of view and that he didn't realise the fee was going to be applied when he made this purchase. But I can't fairly say that's Tesco's fault because it had told him what it classed as cash transactions. And X's statements contain a summary of fees. So I think Tesco made it clear that it would charge a 3.99% handling fee for cash transactions.

X is also unhappy about the interest which Tesco applied. I note that X's credit card statements contain the following information about interest charging: *"You will not pay interest on new purchases if you pay the full balance on your last statement by your payment due date. Otherwise, the period over which interest is charged is as follows: Purchases, Cash withdrawals, Cash transactions, Balance transfers and Money transfers – from date debited to your account until repaid in full"*. So, while purchases might not attract interest if the full balance was paid on time, interest would be charged on a cash transaction as soon as it was debited from X's account. As X had been informed of this on his statements, I don't think Tesco acted unfairly here.

X says that Tesco should have warned him that the fee would apply before processing the transaction, giving him chance to change his mind. He says he was sent a message with a passcode for the transaction, and that Tesco could have used this opportunity to warn him about the fee. But I wouldn't expect Tesco to do this, and it's not something they were obliged to do.

X says he doesn't think his purchase should be treated as a cash transaction. He says the commemorative coins can't be used as currency, so shouldn't be treated as cash. But it's clear from the NoV that the term *"cash transaction"* encompasses numerous types of transaction. Tesco has confirmed that it treated the transaction as an investment. Investments are included in the definition of cash transactions, as set out in the NoV.

X has challenged this. He says the term *"investments"* is not defined in the terms and conditions and is open to interpretation. He doesn't think it should include the coins he bought. But the merchant here applied the code *"securities"* to the transaction. I think it was reasonable for Tesco to treat the purchase in the way the merchant described it. Tesco says its system is set up to identify transaction types using the merchant codes. It identified X's purchase as an investment, based on the code supplied by the merchant and I think that was reasonable. I also note that the merchant's website makes multiple references to its coins as investments. So I don't think Tesco acted unreasonably by treating the payment as a cash transaction.

X says that other card providers haven't charged him a fee for transactions of this type. I understand X's frustration here, but the fact that other businesses haven't charged in this situation doesn't necessarily make it wrong that Tesco has.

I realise my decision will be disappointing to X. But, on balance, I don't think Tesco acted unfairly or made a mistake by classing the transaction as an investment and applying the cash transaction fee and interest. So I can't fairly tell it to refund the fee or the interest, as X would like.

My final decision

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 4 November 2020.

Katy Kidd
Ombudsman