

The complaint

Mr M complains that Tandem Bank Limited didn't give him detailed interest calculations upon request, failed to advise him on a fee free product and closed his account.

What happened

In January 2020, Tandem wrote to Mr M to say they were going to make changes to his credit card. The changes included a £5.99 membership fee but he would benefit from certain features.

Mr M was given 60 days to decide if he wanted to opt into the new membership or his account would be closed. Mr M didn't want to pay for a new membership and informed Tandem of this. His account is now closed.

Mr M complained to Tandem as he didn't know why he was paying interest on cash balances when he pays his statement balance in full each month and he wasn't happy he had to close his account.

Tandem said that they were entitled to withdraw the credit card Mr M had as long as they provided the notice required by the regulators. They also referred Mr M to the terms and conditions of his account to explain how interest is calculated on payments deemed as "cash". As a gesture of goodwill they offered to refund the £14.29 cash interest to Mr M.

Mr M wasn't satisfied with the response from Tandem so he brought his complaint to our service. He added that he'd found out Tandem offered a fee free product and said that Tandem should've moved him to a fee free account and raised a concern about Tandem closing his account.

Although Mr M's original complaint to Tandem was about the calculation of interest and closure of his account, Tandem agreed we could look at the fee free alternative product part of Mr M's complaint.

Tandem said that they gave Mr M the notice required (60 days) to make an informed decision if Mr M wanted to go onto the new membership model, or his account would be closed. In reference to the fee free product, Tandem said that this was a different type of product to the one Mr M held and would be subject to different eligibility and lending criteria. Tandem added there was no regulatory requirement for them to move customers onto a different product.

Our investigator didn't uphold Mr M's complaint. The investigator explained how the interest was calculated. The investigator said this was correct and in line with Tandem's terms and conditions. Our investigator also said that Tandem were within their rights to close the account/not offer fee free products as an alternative to Mr M.

Mr M disagreed with the view of the investigator and wanted his complaint looked at by an Ombudsman. While he was given a detailed breakdown of interest he then said he wanted detailed calculations for 2019.

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.

Tandem explain how they calculate the interest for transactions which are deemed to be cash related in the terms of the account.

*"If you use your card for cash advances we'll charge interest:
From when the cash advance is added to your account until repaid in full;
Between your statement date and your payment date; and
On your interest if not paid in full - this is known as compound interest.*

Interest accrued between your statement date and your payment date to clear the cash balance will be added to the balance of your next statement

If you pay by Direct Debit you may receive trailing interest until you make a manual payment to clear down the cash balance".

Having looked at all the information that's been provided here, I'm satisfied that this is what Tandem have done. Tandem have also provided a more detailed breakdown of how they have calculated interest on Mr M's account, which has been shared with him. Everything I've seen satisfies me that Tandem has calculated the interest on Mr M's account correctly for the periods of time he's concerned with.

For example, where Mr M has raised concerns about how interest was calculated in 2019 his July-September statements show that he paid his balance in full for the transactions showing on his July statement by direct debit. A withdrawal of Euros was made at a cash machine on 20 August 2019. As this would be classed under the cash advances detailed above then interest would be payable. Mr M's direct debit for August's statement was paid on 30 September 2019, so there would be cash interest payable as the 56 days interest free period only applies to purchases when the balance is paid off in full each month and doesn't relate to cash transactions. I think this is a useful example to illustrate why I think Tandem has applied the interest correctly to Mr M's account here.

I know Mr M has asked Tandem to provide calculations for all of 2019 as the above figures are for his last statement and I think this is a fair request he's made.

Tandem have said they are unable to send detailed interest calculations for all of 2019 as their system doesn't go back that far. The initial complaint was specifically about how Tandem calculate interest and whether it was correct. As Tandem have confirmed the calculation that's been shared with Mr M is accurate and I agree that it does seem to be, based on the figures shown, I'm satisfied that any period before this statement would be calculated in the same way. I've certainly seen no evidence to suggest otherwise.

Attached to Mr M's September 2019 statement there is an annual credit card summary. This covers transactions from 5 September 2018 – 3 September 2019. This statement shows £630.02 of total cash advances with total cash interest of £7.83. Broadly, this seems a fair calculation of interest which is payable. So while Tandem are unable to go back to cover all of 2019 these figures will hopefully give Mr M an idea of the interest Tandem have charged during the majority of the period he requested.

Although Mr M pays his statement balance off in full each month, unless he made a payment when a cash transaction shows on his account, for the value of the transaction there would always be trailing interest on the following statement. That's what's happened here, therefore I'm satisfied the correct interest has been calculated on his credit card. Tandem have offered to refund £14.29 in cash interest charges to Mr M as a gesture of goodwill so he is entitled to take them up on this offer if he wishes.

With regards to Mr M's account type changing - Tandem are entitled to make changes to the terms and conditions of the credit card as long as they gave sufficient notice. In this instance they gave Mr M 60 days to either join their new membership for £5.99 in exchange for certain benefits or they would close his account. Mr M chose to close his account. I'm satisfied Tandem were fair to Mr M as they gave him plenty of notice to make an informed decision so I don't believe Tandem did anything wrong here.

Lastly, I've considered whether it was unreasonable for Tandem not to suggest a fee free product when they had one available. Tandem are not obliged to promote other products to their customers, even when one product may be more suitable. I'm satisfied that it wasn't unreasonable for them not to do so here. I say this as Tandem have explained the fee free product is a completely different account to the one Mr M held. Tandem said that this would have different eligibility criteria, would require new affordability checks and they would have to complete another credit score.

To summarise I'm satisfied that Tandem have fairly calculated the interest, offered enough notice to change their criteria for the credit card and are within their rights to not offer alternative products when the eligibility criteria is different. So it follows I won't be asking Tandem to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 April 2021.

Gregory Sloanes

Ombudsman