

The complaint

Mrs R complains that NewDay Ltd charged interest on her purchases, despite her paying off those purchases in full.

What happened

Mrs R took out a credit card with NewDay in May 2019. In February 2020, Mrs R transferred a balance on to her credit card account. NewDay was offering 0% on balance transfers for 12 months at the time. Once the balance transfer was complete, Mrs R made a number of retail purchases using her credit card.

In May 2020, Mrs R made payments towards her account, with the intention of paying off the retail purchases she'd made before interest was charged on them. But despite this, NewDay applied interest to the purchases. So Mrs R complained, saying she didn't recall agreeing to this when she applied for the balance transfer.

NewDay didn't uphold Mrs R's complaint. It said any retail or cash purchases made after a balance transfer goes through, don't benefit from an interest-free period – and that Mrs R would've been informed of this.

Unhappy with NewDay's response, Mrs R referred her complaint to this service, saying she wasn't made aware that interest would be payable on her purchases, even if she paid enough money towards her card to pay off the purchases in full each month. She believes the way NewDay applied her payments was incorrect and that she was penalised for having made a balance transfer.

Our investigator considered the complaint and didn't think it should be upheld. He said NewDay had acted in line with the Terms and Conditions of Mrs R's account. As Mrs R didn't agree with our investigator's assessment, the complaint has now come to me to decide.

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'm afraid I won't be upholding Mrs R's complaint. I know Mrs R will be disappointed with my decision, but I'll explain why I won't be requiring NewDay to do anything further.

Mrs R's credit agreement with NewDay says:

"We calculate interest from the date each transaction (including any applicable fee) is added to your account, until the date that transaction has been repaid in full...We do not charge interest on purchases (other than those on instalment plans) made during your last statement period if you repay your outstanding balance, including any balance transfers...by the payment due date and you also paid your previous month's outstanding balance in full by the due date".

I'm satisfied from the above that Mrs R would've had to pay off her outstanding balance in full, including the balance transfer, in order for interest not to be applied to her subsequent purchases.

The credit agreement further states:

"When you make a repayment to us...we will use your payment to pay off the different balances in the following order: cash transactions, money transfers, balance transfers, other promotional offer balances and then purchases."

Based on this, I think NewDay has applied Mrs R's payment and also applied interest in the way it said it would. According to the Terms and Conditions, it would've applied Mrs R's payment to her balance transfer ahead of her purchases. And it would've applied interest to Mrs R's retail purchases from the date of purchase, as her account balance had not been paid off in full. So I'm satisfied NewDay has acted in line with the Terms and Conditions of Mrs R's agreement with it.

I appreciate it was Mrs R's intention, when transferring a balance to her credit card, to take advantage of the 0% interest offer – and that her intention in making the payments in May 2020 was to pay off the retail purchases before interest was applied to them. And I understand that's why this must be frustrating for her. But, I still don't think NewDay has done anything wrong here. Having read the promotional information Mrs R would've had access to at the time she made the balance transfer request, and the correspondence Mrs R received confirming the balance transfer had been successful, I think these made it clear that if a balance transfer remained on the account, interest would be charged at the standard rate on subsequent purchases, until the whole balance had been repaid in full.

Mrs R says she has been penalised for making a balance transfer, and that she didn't see much of the information that's been presented during the course of this complaint – but I'm satisfied, from the evidence I've seen, that the relevant information was accessible to Mrs R and made clear before she applied for the balance transfer. It follows therefore, that I don't think NewDay has acted unfairly here.

My final decision

I'm sorry to disappoint Mrs R, but my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 19 March 2021.

Ifrah Malik
Ombudsman