

The complaint

Mr S complains that Vanquis Bank Limited charged interest on a credit card transaction which was later refunded by the merchant.

What happened

Mr S made two transactions on his Vanquis credit card to a tour operator – a deposit of £120 in 2019, and the holiday balance of £1,044.76 in March 2020.

Unfortunately, due the Covid-19 pandemic, Mr S' holiday was cancelled. Initially, he raised a transaction dispute with Vanquis, but before it could raise a formal dispute, the tour operator refunded both transactions on 3 May 2020.

In between these dates Mr S noticed that Vanquis had applied interest of £81.23 to his credit card account. He contacted Vanquis as he didn't think that he should pay the interest for a holiday that didn't take place as this wasn't his fault.

Vanquis didn't agree. It said the interest had been applied correctly and in line with the account terms and conditions. As Mr S remained unhappy, he brought his complaint to our service.

Our investigator looked into Mr S's complaint but didn't think that Vanquis had done anything wrong. She agreed with Vanquis in that interest had been applied in line with the terms and conditions of the account. She noted that Vanquis had made a credit interest adjustment of £40.85. But she didn't think Vanquis needed to refund any further interest.

Mr S disagreed. He said that he'd been a customer with Vanquis for 20 years and he expected it to show some appreciation of this when handling his complaint. And that Vanquis was on notice that the transaction was due to be refunded as he'd called to let it know.

He added that he'd only been able to pay £1,000 off his statement balance because of trouble accessing his bank account due to the pandemic. Mr S says that Vanquis should have shown him some forbearance given the wider circumstances at this time.

Our investigator acknowledged Mr S' concerns but remained of the opinion that Vanquis hadn't done anything wrong.

Mr S didn't agree so the complaint has been passed to me for a final decision.

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 agree with the investigator's outcome for broadly the same reasons. I know Mr S will be disappointed, so I'll explain why.

Firstly, I do acknowledge that the Mr S' holiday was cancelled for reasons beyond his control. And I can understand why he feels it's wrong that he should pay interest on a transaction that was later refunded. But I can only uphold the complaint if I found that Vanquis has done something wrong.

So, I think it would be helpful to explain that money refunded to a credit card account is an account credit. It doesn't count as a payment or partial payment. If a purchase is made using a credit card and the statement balance is not repaid in full, the account holder is responsible for any accrued interest – even if a transaction is later refunded.

Here, Vanquis issued Mr S with his regular monthly statement in March 2020. This shows that on 12 March 2020 a payment of £1,044.76 was taken by the tour operator. And I'm satisfied the statement also shows that this transaction plus Mr S' other spending on the card left a balance owing of £2,238.59.

The terms and conditions of Mr S' account say that interest is applicable each month if there is an outstanding balance left on the account by the payment due date even if there is a dispute with a retailer/merchant. This means that Mr S needed to pay £2,238.59 by the payment due day to avoid interest. In this case, Mr S' statement shows this was 16 April 2020.

But Mr S only made a payment of £1,000. This meant he left an outstanding balance of £1,238.59. So, as the balance wasn't cleared in full by the payment due date, I'm satisfied interest was applicable in line with the terms and conditions of the account.

On 3 May 2020 the tour operator provided a full refund. But this was after the payment due date. That said, I can see that Vanquis applied an interest credit adjustment of £40.85. Given the above findings, I think this is fair.

I acknowledge that Mr S informed Vanquis that the holiday payment was due to be refunded. But I don't agree that this means Vanquis should have put his bill on hold or interest should be suspended. Vanquis is required to issue regular monthly statements and payments are due accordingly in line with the terms of the account.

I also acknowledge that Mr S has held an account with Vanquis for many years. But it's down to Vanquis to decide if it wanted to refund all the interest as a gesture of goodwill. As mentioned above, I don't have the power to tell Vanquis to refund any interest charged unless I found it had been applied incorrectly. And for the reasons given above, I'm unable to conclude a mistake was made.

Mr S has said that he only paid £1,000 in respect of his March statement as he had problems contacting his bank due to the Covid-19 pandemic. It's not clear what these problems were – particularly as Mr S was able to make a £1,000 payment to his credit card, although I don't dispute what Mr S has said. But this isn't something I can say that Vanquis was responsible for. If Mr S believes his bank did something wrong to the extent that it prevented him from making a payment to clear his credit card balance in full, then I think that's something for Mr S to talk to his bank about.

I can only look at the actions of Vanquis and I don't think it has done anything wrong. So, I won't be asking it to do anything more.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 31 March 2021.

Sandra Greene
Ombudsman