

## **The complaint**

Mr S complains about National Westminster Bank Plc (NWB) and the misinformation he was provided when he enquired about making a balance transfer on his credit card account.

## **What happened**

Mr S held a credit card account with NWB. In July 2019, NWB offered Mr S a promotional 0% interest rate on balance transfers to this account. Mr S called NWB to discuss this and asked whether this balance transfer would impact the interest he was charged on any purchases made using the card. Mr S says he was told it wouldn't and so, he transferred £7,000 onto the account. But Mr S's account began to accrue interest. And he wasn't happy about this, so he raised a complaint.

Mr S didn't think NWB had made it clear to him that having a balance transfer amount on the account would cause him to accrue interest on purchases he made. So, he wanted any interest charged to be refunded to him. Mr S was also unhappy that payments he'd made into the account intended to clear his purchase amount had been used to repay some of the balance transfer.

NWB responded and didn't agree. They thought the interest had been charged correctly, in line with the terms and conditions of the account. And they thought these terms made it clear how any payments made into the account would be used to clear Mr S' outstanding balances. But as gestures of good will, they refunded Mr S £76.92 worth of interest and applied five months' worth of interest waivers between September and June 2020 to allow Mr S time to reassess his finances and move any balances if he wished.

In a separate complaint response, NWB also offered Mr S an apology and £50 to compensate him for the delay in providing him with a call transcript as he'd requested. But Mr S remained unhappy, so he referred his complaint to us.

Our investigator looked into the complaint and upheld it. They didn't think NWB had made it clear enough to Mr S exactly how the balance transfer would impact the way interest would be charged on any purchases he made after it was received into the account. But they thought the interest itself had been charged correctly, in line with the terms of the account. And they thought the payment Mr S made had also been used to repay his outstanding balances correctly.

So, while they didn't think the interest should be refunded, they thought NWB should pay Mr S £150 to recognise their failure to provide him with the correct information on the call held in July and the upset this caused Mr S.

NWB accepted this recommendation. But Mr S didn't. He didn't think the £150 was enough to compensate him for the financial impact of NWB's failure, which left him paying around £130 in interest on the account each month. Mr S didn't think he'd be paying this had NWB acted fairly as he wouldn't have utilised the balance transfer. So, Mr S wanted the compensation to be increased. As Mr S didn't agree, the complaint has been passed to me for a 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'm upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

I recognise that NWB accepted our investigators initial view and recommendation. Within this view, our investigator explained they felt NWB didn't make it clear to Mr S on the call held in July 2019 that the balance transfer would impact the interest charged on any purchases he made. As NWB accepted this and agreed to pay Mr S £150 compensation to recognise the upset this failure caused, I think it's reasonable for me to assume they accepted they acted unfairly. So, I don't intend to discuss this in detail as I don't think this point is in dispute.

But for completeness, I can confirm I've listened to call between Mr S and NWB. And I think Mr S made it clear he intended to continue using the card for purchases, referring to a holiday he had coming up at the time. While I don't think the information NWB gave Mr S was incorrect as they confirmed any payments would be made towards the balance with the highest interest rate, I don't think they made it clear that having a balance transfer on the card counted towards the total outstanding balance. So, interest would be charged on any purchases he made, whether or not these purchases were cleared by payments he made.

And I also don't think it was made clear on this call that any payments Mr S made would be counted towards the previous statements balance. So, any purchases made after the statement had been generated wouldn't be counted. Because of this, I don't think NWB made Mr S reasonably aware that if he made payments higher than the purchase amount shown on the previous months statement, the surplus would go to his balance transfer.

For these reasons, I think NWB failed to provide Mr S with reasonably clear information in answer to the questions he asked. And I think this influenced his decision to proceed with the balance transfer. So, as I think NWB acted unfairly, I've then thought about what I think NWB should do to put things right.

## Putting things right

I'm aware Mr S doesn't think the £150 compensation recommended by our investigator is enough to recognise the financial impact he's felt, due to the amount of interest he's been charged. But for me to say this interest should be refunded, I'd need to be satisfied that it was charged incorrectly. And I don't think it was.

Although I don't think NWB were clear enough in their phone conversation with Mr S, I think the terms and conditions of Mr S' account are. And these explain:

*"Your statement will show a balance and a payment date. If you pay the full balance **and** also paid the full balance on the previous month's statement by the relevant payment dates, you will not have to pay interest on Purchases".*

As Mr S' balance transfer was outstanding on the account, Mr S was not paying the total account balance in full. So, I think this makes it clear to Mr S that any purchases he made would accrue interest. And I think NWB acted fairly, and correctly, by charging interest as this term explains.

Despite this, I've seen that NWB waived a total of five months interest, as well as refunding £76.92 in interest charges as a gesture of good will, in order to allow Mr S to restructure his finances and clear his outstanding balance by payment or transfer if he wanted to prevent future interest charges. I think this action was more than reasonable, considering the interest had been charged on the account in line with its terms.

I'm aware Mr S' interest charges per months increased and he states he's now paying around £130 a month, so the £150 only reflects on months interest payment which he feels is unfair. But I think Mr S was told in September 2019 why he was being charged interest and he was given sufficient time to restructure his finances if he wanted to do so. And I can see that Mr S' balance transfer promotional rate was for a period of 12 months. So, the balance has been accruing interest since this expired and I think Mr S would've been aware this would happen. And I can see that this balance transfer amount, and the interest it's accruing, accounts for most of the interest Mr S is paying per month. So, I think it was Mr S' own decision to allow the balance transfer to remain on the account and accrue interest after the promotional rate expired and I wouldn't expect NWB to refund this interest nor do I think this should be a factor when I consider what a fair amount of compensation should be.

The terms and conditions also explain:

*"You cannot choose how a payment is applied to your account. We apply any payments you make to your account in the following order:*

- to reduce sums shown on your most recent monthly statement, according to their interest rates, with the highest rate paid first; and*
- if any payment exceeds your most recent monthly statement balance, the excess will then be applied to reduce sums charged to your account but not yet shown on any monthly statement."*

So, when Mr S made payments onto the account greater than the previous statements purchase amount, the surplus was then used to pay his balance transfer balance as this was also shown on the previous statement. And I can see this is what NWB have done, so I think they've acted in line with the terms.

I recognise Mr S may not have been aware of this and he assumed payments he made would be used to pay the purchases he was making. But I think these terms make it reasonably clear if Mr S made a payment intended it to cover a purchase that had not yet been billed on a statement, this would go to any outstanding balance on the previous statement in order of interest rate.

So, while I don't think NWB made this information reasonably clear to Mr S in the call they held, I do think the interest charged on the account and the way payments were allocated fell in line with the terms of the account. Because of this, I don't think any refunds should be applied to Mr S' account and instead, I think NWB should compensate Mr S for any upset he's been caused.

And I think it's clear Mr S has been left confused by the way interest has been charged and how the balance transfer impacted this. And I think Mr S would've been left frustrated when he realised he couldn't use his account as he'd intended when he'd made the balance transfer.

But I also have to consider the fact Mr S has been given the chance to restructure his account without interest being applied and has chosen not to do so. And the interest now being applied is largely due to the balance transfer remaining on the account after the promotional rate has expired.

So, when considering all this together, I think the £150 recommended by the investigator is a fair one and in line with what I would've directed, had it not already been made. So, I think NWB should pay Mr S £150 to recognise the upset he's been caused by the situation.

I understand this isn't the outcome Mr S was hoping for. But I hope my reasoning clearly explains my rationale regarding the compensation amount and why I think it's fair in these circumstances.

### **My final decision**

For the reasons outlined above, I uphold Mr S' complaint about National Westminster Bank Plc and direct them to take the following action:

- Pay Mr S £150 to recognise their failure to explain clearly the impact making a balance transfer would have on the use of his account and the interest it accrues.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 March 2022.

Josh Haskey  
**Ombudsman**