

The complaint

Mr A complains that Santander UK Plc recorded a deposit he made into his credit card account against his 0% balance transfer balance rather than his purchase transaction, causing him to be charged interest on that purchase transaction.

What happened

Mr A has a credit card account with Santander. In August 2021 Mr A carried out a 0% interest balance transfer into his account for £3,837.52. The interest free period for this balance transfer was until 11 February 2023. At the time Mr A was also benefiting from a promotional offer of 0% interest on purchases until 11 November 2021.

Mr A said he made a purchase of £2,403.24 on 17 September 2021 at 7:32 PM with a travel operator. He said that on his banking app he could see the purchase had gone through so he made a transfer of £2,489.73 from his current account to his Santander credit card account. Mr A said he transferred the money on the same day as his purchase with the travel operator but after it.

Mr A brought a complaint to Santander. He said the funds he had transferred into his credit card account had been used against that balance transfer when they shouldn't have been. He said he was now being charged interest. He said that although he transferred the money after he made the purchase with the travel company the timestamp on the transfer of funds was recorded as 17 September at 00.00.

Mr A said he received a call from Santander on 18 January 2022 concerning his complaint. He said Santander told him that he transferred the money to his credit card before the transaction with the travel company which meant the balance transfer was reduced and he had incurred chargeable purchase interest with the travel company purchase. Mr A maintained that he had made the transfer of funds after the purchase.

In its final response Santander said it had received a credit of £2,489.73 into Mr A's credit card account on 17 September 2021 which is the same day he had made a purchase to the travel company. Santander said as the card payment had not been fully processed at the time of the credit being received and as there was already an outstanding balance on Mr A's credit card from his balance transfer the funds were used towards clearing that balance transfer. It said due to this the outstanding balance on Mr A's card is now correctly incurring purchase interest.

Mr A remained unhappy and brought his complaint to this service. He said after the complaint phone call with Santander on 18 January he made a transfer of £2,400 from his current account to his Santander credit card account between 1:00pm and 1:30pm in order to prevent incurring further interest. He said he looked at the timestamp of this transaction in his mobile app and it recorded the transaction on 18 January 2022 at 00:00. He said for some reason the timing of its payments into his credit card account are recorded as 00:00 on the same day. Mr A said this isn't referenced in any of the terms and conditions. He said from his perspective he'd made a purchase on his credit card, then after that transaction was shown as cleared on his credit card app he made a payment into the account. He said

Santander retrospectively applied this payment in earlier than when it was transacted, causing him to incur interest.

In his view our investigator noted that Mr A hadn't been charged interest in September or October 2021. As such he said there is no detriment to Mr A. He said he could see interest started to be charged in December 2021 but this was because the promotional offer of 0% interest was ending on 11 November 2021. Mr A didn't agree and asked for a decision from an ombudsman.

I issued a provisional decision on 23 February 2023. I said:

Mr A has said he made a purchase with a travel company on the 17 September 2021 before he deposited funds into his credit card account on the same day. According to his testimony he said he saw on his mobile app that the transaction had gone through before he credited his credit card account with a similar amount to cover the purchase he had just made. Mr A provided us with screenshots from his Santander credit card mobile app.

The screenshot of the payment out to the travel company shows that the purchase occurred at 19:32 on 17 September 2021. The payment that he made into his credit card account on 17 September 2021 is recorded as being received at 00:00 on 17 September.

After Mr A spoke with Santander regarding his complaint on 18 January 2022 he made a further payment into his credit card account of £2,400. He said this payment was made between 1 PM and 1:30 PM. He provided us with the screenshot of this payment which is recorded as received at 00:00 on 18 January. As further evidence of this deposit Mr A provided a screenshot of his bank text notification for his withdrawal. The text said "your withdrawal was made on 18 January 2022 at 1:10 PM".

So it does appear that payments made by Mr A into his credit card account are logged as being received at midnight on that day rather than the actual time the payment is made.

Our investigator asked Santander why the deposit timestamp would record as 00:00. Santander said payments to a credit card are made to a centralised account. It said a sweep is periodically run through this account and payments are then allocated to the customer's credit card. Santander went on to say that despite many requests as to why the time stamp is set to 00:00, it hadn't been able to find a satisfactory explanation. Santander said Mr A made the transaction to the travel company but it was still in 'authorisations' when he made a transfer to cover this transaction. It said the transfer of funds into the account was processed on the day it was made which was the 17 September, however the transaction to the travel company was processed the following day which was 18 September. So the funds were applied to the last billed balance - the balance transfer.

It's not my role to investigate Santander's processes. We are not the regulator, and we don't have a role in reviewing the adequacy of a business's processes, in this case the process for Santander to manage payments into and out of customers' accounts. But I can investigate if the process has been applied fairly to a customer.

I've looked at the terms and conditions of Mr A's account with Santander. I can't see anything within those terms and conditions which explains when a payment will be processed specifically. Santander has said Mr A should wait until a transaction has

been processed. Mr A said according to the Santander app the travel company transaction went through on 17 September, so he made the deposit in order to avoid any interest on this purchase. I'm persuaded that Mr A was managing his account in a way so as to not incur any interest. On the evidence provided by him in the form of screenshots the transaction appeared to go through on 17 September even though Santander has said the transaction was actually processed the following day.

Mr A has provided evidence of two examples of funds being deposited into the account later in the day but having been recorded as received at midnight. I'm persuaded by Mr A's testimony, which I find credible, that he saw on the app that the travel company purchase transaction had gone through and then made a payment into his account to cover this purchase so he wouldn't incur interest. I can't see that there is any way he could have known that the timestamp would say the previous midnight.

The impact of Santander's actions in recording the deposit of funds at midnight on 17 September rather than when the transfer was actually made – after 7.32PM – is that the money was used to offset against the 0% balance transfer. This reduced the balance transfer amount to £1,347.68. Mr A's purchase with the travel company was then subject to purchase interest after his interest free period had ended on 11 November. As Mr A has said in his response to the investigator's view, when he transferred £2,489.73 to his credit card he was expecting it to reduce the purchase balance - the travel company purchase - which would have meant zero interest from 12 November. Having only recently taken up the 0% balance transfer offer it seems to me Mr A was seeking to take advantage of this offer in full by paying for his new purchases out right so he wouldn't incur further interest.

So, subject to any further information I might receive, I'm persuaded that Mr A reasonably understood that the travel company purchase had been processed before he made a deposit to cover that purchase into his credit card account. And I'm persuaded that he specifically did this to prevent being charged interest.

Mr A accepted my provisional conclusions but asked for lost interest on his savings to be considered as part of the remedy. Santander responded with some further comments which I have responded to below.

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 believe my provisional conclusions still stand. In response to my provisional decision Santander provided an explanation of how payments are applied. It said any manual payments made to the credit card are first applied to the statement balance as set out in the Key Facts document.

"If you do not pay off your balance in full, payments we receive are applied to the highest interest bearing transactions first. We will pay off balances that are already on your statement before any new transactions. For further details, please refer to your credit card terms and conditions".

Santander said:

"The customer's purchase was made on 17 September and the payment was received on 17 September. As the purchase was made on 17 September, it was not

yet stated and is classified as a recent transaction. In order to pay a recent transaction off, the customer would need to first clear the statement balance before any further manual payments are applied to recent transactions. If the customer wanted to clear the purchase, he would have had to wait for the purchase to appear in his statement balance on 07 October 2021 before any manual payments would have been applied against the purchase.”

I'd like to thank Santander for its further explanation of how the payment was allocated. I'm satisfied this explains more clearly why Mr A's payment on 17 September was allocated to the balance transfer. But I do think this fuller explanation could have been provided to both Mr A and this service sooner. Santander has had several opportunities to help Mr A understand why his payment was used to offset against the balance transfer. It is clear to me he was trying to operate his account in such a way as to prevent paying interest. I can see the terms and conditions state that Santander will pay off balances that are already on the customer's statement before any new transactions, but Mr A was clearly confused as to the timing of his transactions, the time stamp of those transactions and how any payments he made affected his balance transfer.

So I'm persuaded Santander hasn't acted fairly or reasonably towards him.

As 11 February 2023 has passed it's possible that when the account has been reworked there will be a new balance on the account which may accrue interest due to this decision. I consulted with both parties to say that in order to be fair to Mr A I was minded to pause interest for four weeks from the date of this decision. Santander said the interest free period ended on 11 February 2023 and the full balance was repaid on 13 February 2023, so the credit card is now at a nil balance. It said there may be a small interest charge applied after 4 April 2023 as balance transfer interest is calculated daily. It said it would consider waiving as a gesture of goodwill and Mr A can contact its customer services team to request. I do think it would be fairer to Mr A to freeze the interest on the account for one month so that he doesn't have to go through customer service.

Mr A asked me to consider compensation for lost interest from his savings account when he 'had to' pay £2,400 to Santander. I understand why Mr A would ask for this but ultimately it was his choice to use his savings.

Putting things right

To put things right Santander should

- rework Mr A's account so that the travel company purchase made on 17 September is applied to Mr A's balance prior to the deposit made to cover this purchase. And that the funds Mr A deposited on 17 September are used to offset against the travel company purchase and not the balance transfer.
- refund any subsequent interest Mr A has paid because of the payment being recorded at midnight prior to the travel company transaction being processed.

I can see why Mr A made the £2,400 payment in the circumstances. And based on his understanding of things at the time, I'm persuaded that his decision to do so was linked to how Santander had dealt with this situation. In light of that, I don't think it's fair that he is disadvantaged by the fact this has now been used as it has on the credit card. So I think Santander should

- refund that payment of £2,400 to him and adjust the balance to ensure that the interest charged here was applied as if the balance was £3,837.52 and the 0%

balance transfer was in place until the relevant date*.

- if, after reworking the account and refunding the £2,400 there is a balance on the credit card as a direct result Santander should freeze interest on the account until 30 May 2023 to allow Mr A to make any payments he may want to make.
- pay Mr A £75 for the inconvenience including having to deposit funds into the account to prevent interest being charged.

My final decision

My final decision is that I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 2 May 2023.

Maxine Sutton
Ombudsman