

The complaint

Mrs A complains about how NewDay Ltd trading as John Lewis Partnership Card (NewDay) have allocated payments and refunds to her account.

What happened

Mrs A took out a credit card with NewDay and made use of a balance transfer offer. She transferred a balance of £1,000 to her NewDay account, on a rate on 0% for six months. Mrs A also used the card for purchases.

Mrs A says that NewDay hasn't done what it said it would when applying payments and refunds to the account. She says that that payments and refunds haven't been allocated to the highest interest-bearing balances first. And this will lead to her having to pay additional interest.

NewDay responded to Mrs A's complaint and upheld it in part. It offered her £35 for some customer service issues she'd experienced. However, it said it had allocated payments to her account correctly.

Unhappy with NewDay's response relating to how payments are allocated to balances, Mrs A asked this service to look into the matter. An Investigator considered matters, but they didn't uphold the complaint. The Investigator provided a detailed view that explained how NewDay allocated payments to the different types of balances on the account. And they explained why they felt NewDay had acted fairly.

Mrs A didn't agree. She said *"Because of the way NewDay set up the offer (the 6 months interest free on Balance Transfers) they charged interest on purchases from the point the purchases were added to the account balance. This meant that the allocation of payments and refunds by NewDay did NOT match what they stated on their statements. Whilst an interest free balance existed, any purchases were liable to interest from day one, so the refunds and payments should have been allocated to any of the purchase balances (both 'new' and 'old') before paying off the interest free balance."*

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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 considered all of the evidence available to me, I won't be upholding Mrs A's complaint. I appreciate this decision will come as a disappointment to her, however I'll explain my reasons for this below.

The Investigator has already provided a clear explanation as to what has happened in this case, and how credits are allocated to the different balances on Mrs A's account. So, I don't intend to go over this point again.

However, I think the disagreement here is that Mrs A still feels that NewDay didn't allocate payments to balances with higher rates, before those on lower rates. And this is because when it allocated payments, it allocated them to balances on Mrs A's statement, before purchases that hadn't yet been applied to a statement. Mrs A feels this is unfair, because this would mean she would end up paying her balance transfer on a 0% promotional rate, before new purchases which accrue interest from the date they are made.

I can see on Mrs A's statement, it explains that:

"If you don't pay your balance in full, we will allocate payments to balances with the highest interest rate before balances with lower interest rates. There are some exceptions to this including the way we allocate payments to any instalment or PayDown plan. For further details, please refer to the 'How do we apply payments to the different balances?' section in your Credit Agreement."

I've also looked at the terms and conditions of Mrs A's account, and under the section "How do we apply payments to the different balances" it says:

"When you make a repayment to us, we will apply it to the balance shown on your statement first, and then to any transactions not yet shown on your statement, as follows:

- we will use your payment to pay off balances that are charged at higher interest rates before those that are charged at lower interest rates;"*

I think the terms and conditions are clear with its explanation. Simply put, it means that any transactions that haven't yet been billed on a monthly statement are looked at last when it comes to allocating any payment made to the account – regardless of the interest charge they may attract. Given what the terms and conditions state, it would appear that NewDay has allocated payments to Mrs A's account in line with this.

The reference to payment allocations on Mrs A's statement are specific to that statement. So NewDay has applied payments to balances on a higher rate of interest, before those on a lower rate, in relation to that statement.

I can understand Mrs A's point of view here, that new purchases not applied to the statement are essentially accruing interest from the day they are made, until they are repaid. And the way NewDay allocate payments allows for payments to be allocated to balances on a 0% rate before balances that, while not on the statement, are accruing interest. But this service's role is not a regulatory one. So, I'm unable to comment specifically upon NewDay's policies, terms or conditions. I can only consider whether NewDay has been fair and reasonable in the way that it has applied them to Mrs A's circumstances. Although I appreciate that Mrs A will be disappointed, I can't reasonably conclude that NewDay has acted unfairly here. It has allocated payments in a way that complies with the explanations in the terms and conditions.

My final decision

For the reasons set out above, I don't uphold Mrs A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 27 November 2023.

Sophie Wilkinson
Ombudsman