

The complaint

Mrs L is unhappy that Barclays Bank UK PLC, trading as Barclaycard, charged interest on her credit account which she feels shouldn't have been charged.

What happened

In January 2023, Mrs L noticed that interest had been charged on her Barclaycard credit account. Mrs L wasn't happy about this because she made payments every month to ensure that no interest was charged on the account. So, she raised a complaint.

Barclaycard responded to Mrs L and explained she hadn't made the payment necessary to clear the account balance on the month the interest had been charged, which meant the interest had been charged correctly. However, as a gesture of goodwill, Barclaycard agreed to reimburse the charged interest back to Mrs L's account. And Barclaycard also agreed to put the remainder of the unpaid balance that was correctly attracting interest onto a 0% interest rate until 1 July 2023. Mrs L wasn't satisfied with Barclaycard's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. They felt Barclaycard's explanation as to why Mrs L had been charged interest on the account was reasonable. But they noted that Barclaycard hadn't transferred the remainder of the interest-attracting balance to a 0% interest rate as they'd agreed to, which meant Mrs L had continued to incur interest on that balance. So, our investigator said Barclaycard should reimburse the charged interest back to Mrs L and transfer the balance to a 0% interest rate as they'd agreed, and that Barclaycard should pay £100 to Mrs L as compensation for the trouble and upset she'd incurred.

Barclaycard looked at Mrs L's complaint again and apologised for not transferring the balance to a 0% rate as they'd agreed to, and they acted to transfer the balance to a 0% interest rate until 1 July 2024 – a further year beyond the date they initially agreed to. Barclaycard also reimbursed the interest that had incorrectly charged back to the account and offered to pay £200 compensation to Mrs L for the upset and trouble she'd experienced.

Our investigator felt that Barclaycard's actions and offer of compensation already represented a fair outcome to what had happened. However, Mrs L remained dissatisfied, so the matter was escalated to an ombudsman 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'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the circumstances and factors of a complaint into consideration.

Mrs L feels that Barclaycard incorrectly allocated payments she made to her credit account in November 2022, which resulted in payments being used to reduce a balance transfer amount that benefitted from promotional 0% interest rate rather than reducing the monthly spending balance on her account which accrued interest, as should have been the case. And Mrs L contends that it was for this reason – that there was monthly spend from November that incorrectly remained present on her account – that Barclaycard wrongly charged interest on her account the following month.

Regardless of whether Mrs L's assertions here are correct or not, Barclaycard agreed to reimburse the charged interest and transfer the balance that they considered to be liable to accrue interest to a 0% interest rate until 1 July 2023 – which was the date of expiry for the promotional 0% interest rate for the balance transfer amount Mrs L felt Barclaycard had incorrectly applied some of her November payments to.

So, from a fairness of outcome perspective, I'm satisfied that Barclaycard had agreed to restore Mrs L's account to the position she felt that it should have been in.

However, while Barclaycard did reimburse the incurred interest back to Mrs L's account, they didn't also act to transfer the interest-incurring balance to a 0% interest rate as they'd promised they would. And this meant that Mrs L's account continued to incur interest on that balance for the following months.

Barclaycard have acknowledged and apologised for their mistake here. And they've already reimbursed the interest that had incorrectly been incurred on the account back to Mrs L.

Additionally, Barclaycard have transferred the interest accruing balance – which is roughly £2,100 – to an 0% interest rate until 1 July 2024. This a year longer than the 0% interest rate Mrs L's initial balance transfer promotional offer was scheduled to benefit from. And I'm satisfied that by taking this action Barclaycard are effectively providing Mrs L with an additional year of 0% interest on the transferred amount – to the benefit of Mrs L.

Finally, Barclaycard have also offered to pay £200 compensation to Mrs L for the trouble and upset she may have incurred here.

Matters of compensation can be subjective, and I appreciate that Mrs L feels that £200 doesn't fairly reflect the time and effort that she's had to expend trying to resolve this matter. However, given the full circumstances of what's happened here, I feel that the £200 compensation amount offered by Barclaycard, in conjunction with the additional twelve months 0% interest rate on the balance in question, does represent a fair outcome to Mrs L's complaint. And I can confirm that such an offer is commensurate with what I might have instructed Barclaycard to have paid if they hadn't already offered to do so.

I haven't requested further information from Barclaycard to confirm whether Mrs L's contentions about the misallocation of her November 2022 payments were correct or not. This is because, as explained previously, this service is focussed on fairness of outcome. And I confirm that I'd feel that Barclaycard's actions and offer of compensation would represent a fair outcome here, even if it were confirmed that Mrs L's contentions are correct.

In taking this position I've considered the trouble and upset that Mrs L has experienced here, as she's described it to this service. But I've also considered the additional interest free period which Mrs L now benefits from because of Barclaycard's actions, as well as the general framework which this service considers when thinking about compensation amounts for upset and inconvenience – details of which are on this service's website. And, taking all these factors into account, I feel that £200 is a fair compensation amount.

I realise this won't be the outcome Mrs L was wanting, but it follows from all the above that while I will be upholding this complaint in her favour, I'll only be doing so to compel Barclaycard to pay the £200 compensation to her that they've already agreed to pay. I hope Mrs L will understand, given what I've explained, why I've made the final decision I have.

Putting things right

Barclaycard must make a payment of £200 to Mrs L.

My final decision

My final decision is that I uphold this complaint against Barclays Bank UK PLC, trading as Barclaycard, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 4 September 2023.

Paul Cooper
Ombudsman