

The complaint

Mr J complains about interest applied to his credit card balance by NewDay Ltd during a balance transfer promotional period.

What happened

In September 2022 Mr J applied for a branded credit card with NewDay. Mr J's explained that he wanted to take advantage of a balance transfer promotion that said he would receive six months at 0%. There was a 1.99% fee for balance transfers.

In September 2022 Mr J completed a balance transfer of £1,000. A fee of £19.90 was applied. In October 2022 Mr J started to use the credit card for purchases and also completed a further £750 balance transfer at a cost of £14.93.

On 23 October 2022 NewDay sent Mr J a statement that said purchases had been made and would attract interest. Mr J's explained he made a payment of £2,985 to cover the purchases he'd made on the credit card and ensure no interest would be due.

Mr J continued to use the credit card for purchases in the belief that no interest would be incurred. Another statement was issued to Mr J on 23 November 2022. The statement showed that despite clearing the purchase balance he'd been charged £48.87 of interest by NewDay.

Mr J went on to raise a complaint about the interest applied to his account by NewDay. A final response was issued on 17 January 2023 and NewDay agreed to refund £48.87 of interest as a gesture of goodwill. But NewDay said that whilst Mr J could benefit from a six month interest free on balance transfer, no interest free period would apply to his purchases. As NewDay said the interest had been correctly applied it didn't uphold Mr J's complaint.

An investigator at this service looked at Mr J's complaint and upheld it. They felt the information surrounding how interest is applied to balance transfer was unclear and led Mr J to proceed with his credit card application on the basis he could use the credit card for both 0% balance transfers for the full promotional period and purchases as well. The investigator also asked NewDay to pay Mr J £75 for the trouble and upset caused. NewDay asked to appeal, so Mr J's complaint has been passed to me to make 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.

I've been brief in setting out the timeline above as all parties broadly agree about what happened and when. Mr J's explained that he wouldn't have used the credit card in the way he did if he'd realised that any purchases made in addition to the balance transfers he completed could mean interest would be incurred. I think it's clear the credit card didn't work as Mr J was expecting. And I accept Mr J's statement that he'd have made alternative arrangements if it he'd understood how the credit card operates.

NewDay says interest was applied in line with its balance transfer terms and conditions. I've read the terms and whilst I understand NewDay's view, I think Mr J also makes a reasonable point. The terms say that if the balance transfer funds are left on the account NewDay will charge interest on purchases made from the point they were added to the balance. But Mr J's explained he made payments to clear the purchases so that only the balance transfer funds would remain on the credit card. Whilst I understand that interest was applied in line with NewDay's terms, in Mr J's case I'm satisfied some confusion was caused. In the circumstances, I think the fairest approach is for NewDay to refund the interest he paid whilst the balance transfer promotion was in place.

The investigator asked NewDay to refund interest already paid and administer Mr J's credit card balance transfer funds on a 0% interest rate for the remaining promotional period. But since Mr J's case was reviewed, those promotional periods have ended. The investigator recently contacted both parties to say that as the promotional period has now ended the settlement should be amended so that NewDay refunds all interest applied to Mr J's balance during that time.

Mr J responded and advised he'd made other arrangements and asked for the balance transfer fees to be refunded. But I'm not persuaded to make a separate award for the fees as Mr J did complete balance transfers. With that being said, in addition to a refund of interest paid during the balance transfer period, I agree with the investigator that a payment of £75 for the trouble and upset caused is fair. For the reasons I've given above, I'm going to uphold Mr J's complaint.

My final decision

My decision is that I uphold Mr J's complaint and direct NewDay Ltd to settle as follows:

- Refund all interest applied to Mr J's balance transfer funds during the promotional period
- Pay Mr J £75 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 19 October 2023.

Marco Manente
Ombudsman