

The complaint

Mr A complains NewDay Ltd incorrectly charged him interest.

What happened

Mr A had a credit card with NewDay and a 0% interest balance transfer and a 0% interest money transfer deal on the card. The balance transfer deal was older and expiring before the money transfer.

A month before the balance transfer deal was due to expire Mr A paid £200 to the card, expecting to pay off the balance transfer in full and have the remainder paid towards the money transfer.

But NewDay applied the full amount to the money transfer. This meant the balance transfer wasn't repaid and Mr A was charged interest on the outstanding amount.

Mr A contacted NewDay by webchat and it explained the order of payments when Mr A pays towards his credit card. NewDay said because there were two active offers on the card, the payment went to the money transfer.

NewDay also uploaded the relevant terms of Mr A's credit card to the webchat. These terms say:

If interest is charged at the same rate on different balances, we will use your payment to pay off the different balances in the following order, cash transactions, money transfers, balance transfers (and then other non-relevant transactions).

Mr A thought his payment should have gone to his oldest balance, so called NewDay and it explained the order of payments again. Unhappy with this answer Mr A asked to log a complaint and was told he'd be called back.

Mr A didn't get a call back, so called in again and a complaint was set up and a final response issued. The final response explained the terms again and NewDay agreed to refund the interest Mr A had been charged.

Mr A brought his complaint to this service and an investigator looked into things but didn't think his complaint should be upheld. The investigator thought NewDay had followed its terms and applied the payment in line with these terms.

The investigator agreed Mr A's complaint hadn't been logged when it should have been, but didn't feel this impacted the merits of Mr A's complaint.

Mr A didn't agree. Mr A said the service he received from NewDay was poor, he had long waiting times for calls to be answered and didn't get a call back when one was promised.

Mr A asked for an ombudsman to decide things.

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 think NewDay's terms are clear about how it orders payments to a credit card. Regardless of which balance was older, or which offer is ending first, the terms say if interest is charged at the same rate the order of payments is used.

Both Mr A's balance transfer and money transfer were at the same rate, 0%. In this situation, according to NewDay's terms, money transfers are repaid before balance transfers.

So, I don't think NewDay made a mistake when it applied the full £200 payment to Mr A's money transfer, even though the balance transfer deal was ending first.

Mr A was clearly very unhappy he was charged interest. I've read the webchat Mr A had with NewDay, and I think NewDay clearly explained why the payment had credited the way it did.

NewDay sent Mr A the relevant parts of its terms and, when Mr A still wasn't happy, gave him the details to call in.

NewDay accepts Mr A had to wait on the phone to speak to someone, but when he did get through, I think NewDay again explained clearly why the payment was credited to the money transfer.

Mr A asked to log a complaint and was told he would be called back, but never was. This isn't great service, but I have to be mindful NewDay had already twice explained, clearly and correctly, why Mr A's payment went to the money transfer.

And once Mr A called back, and the complaint was logged, the final response from NewDay explained the same thing again for the same reasons.

I'm of a similar opinion to the investigator. Although the service from NewDay wasn't great, I don't think this affected the merits of Mr A's complaint.

I think NewDay had already clearly explained to Mr A why the payments were made the way they were, and logging, or not logging, a complaint didn't change this outcome or the reasons behind it.

Mr A chose to pursue a complaint against NewDay, despite two prior clear explanations, so I don't think it would be fair, in the circumstances, for NewDay to compensate Mr A for the call waits or the failure to log a complaint.

And NewDay, as a gesture of goodwill, refunded the interest Mr A had been charged. There was no financial loss to Mr A even though NewDay hadn't, I think, made a mistake.

I can see how unhappy Mr A is with NewDay and the service he received. But, in the individual circumstances of Mr A's complaint, I don't think NewDay needs to do more to resolve things.

My final decision

My final decision is I don't 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 13 February 2024.

Chris Russ
Ombudsman