

## **The complaint**

Mr P complains to Tesco Personal Finance PLC trading as Tesco Bank (“Tesco”) about the fact that the charges for balance and money transfers he carried out on his credit card were based on a percentage of the amount transferred rather than a flat fee, meaning it costs people with larger balances more, which is unfair.

## **What happened**

Mr P opened a Tesco credit card in 2019. He was offered an introductory rate for any balance transfers or money transfers made within the first 90 days, and chose to both transfer a balance from elsewhere and also to take a money transfer, to avail himself of these introductory offers.

He then paid these balances off in full before the introductory rate periods ended. Then in 2022 he opened another credit card account with Tesco, and again received an introductory offer for balance transfer rates or money transfer rates made in the first 90 days. Again, he availed himself of these offers and made a balance transfer and took out a money transfer.

In 2024, Mr P complained to Tesco about the fees associated with these transfers, and how they weren’t fair as the cost to transfer an amount is broadly similar whatever the amount, so the fact these are charged as a percentage of the balance being transferred is unfair. It costs more for him to make larger transfers, when he felt that the work required to carry out that transfer wouldn’t warrant the larger charge.

Tesco responded in May 2024 with their final response letter (FRL) and didn’t uphold his complaint. They said that fees had been charged correctly so they wouldn’t be refunding any of them. They did uphold a small element of his complaint that he hadn’t been called back with some information he had asked them to tell him.

Mr P brought his complaint to our service, and an investigator here investigated his complaint and didn’t uphold it. They explained that all fees were set out in his terms and conditions and had been charged correctly, and if he felt the charging structure in the industry was unfair, he needed to raise this with the Financial Conduct Authority, as we aren’t the regulator to make a decision on whether these charges, when viewed more broadly, are fair.

Mr P didn’t agree with this and quoted an example of where our service had deemed a charge was unfair. He said these “handling” fees or charges did not meet the dictionary definition of a handling charge and asked for an Ombudsman to make a final decision on his case.

## **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’ve reached the same overall conclusions as the investigator, and for

broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time.

I agree with the investigator here, that all of these fees were set out clearly to Mr P and detailed in his terms and conditions with the agreements. But I also appreciate that this alone does not make them fair, and so have gone on to consider Mr P's concerns around whether these fees are fair and considered the previous decision he quoted to back up his argument.

The other decision he referenced isn't relevant I'm afraid. This is regarding guarantees being given about the value of an insured article at the time it's stolen, and I don't think this is relevant to consider here. So, I've gone on to consider more generally, whether these fees were fair or unfair.

In bringing this complaint, Mr P is seeking to simplify the fees being charged as "handling" fees. He's talked about dictionary definitions of handling fees, and how this means the charges should be small. Whilst I accept that previously, these charges were called "handling fees", I've gone on to think about how they were used in Mr P's case, and his awareness of the benefits that come through paying these "handling fees".

Tesco confirmed that for his first application in 2019, shortly after opening the account, he transferred several thousand pounds to the card, paying transfer fees, and benefitted from a 0% interest rate on this borrowing for approximately two years before clearing those balances, having paid no interest on that borrowing.

I'm satisfied on that basis that Mr P understood that in exchange for his "handling fee", he had received an extended period with 0% interest being charged on his borrowing.

A check on Tesco's website now shows that these fees are no longer called handling fees, they are now described as "transfer" fees. I think this makes it clearer, and I agree with Mr P that the term handling fee could be argued to be slightly misleading. However, there is not just a simple "handling" transaction taking place here, these fees are for borrowing considerable sums of money from Tesco.

I'm satisfied that based on his experience of using these introductory offers, it has always been clear to Mr P that in exchange for the payment of a transfer or handling fee, Mr P has received a period of time with an attractive rate attached to his borrowing on these accounts.

In Mr P's case, for the accounts he has held with Tesco, after paying a fee of anywhere between 1.99% and 3.99% on his transfers, Mr P has then been given a rate of 0% on this borrowing for a period which in his cases, ranged between 12 months, and 28 months. The transfer fee is a one off charge and entitles the customer then to a reduced rate of 0% on the borrowing for the introductory period.

I'm satisfied that these fees to be paid, and the lower interest rates then attached to the borrowing, were clear and I'm satisfied that his use of these accounts demonstrates that Mr P understood both the charges for these transfers, and also the benefits gained in the form of a 0% interest rate for a period of time on the money he borrowed.

Again, alongside this, just a cursory quick search shows that different providers will charge slightly different fees and offer slightly different introductory rates and periods for this type of borrowing. Indeed, Tesco currently offer longer introductory periods for a higher transfer fee, as well as a shorter introductory periods for a lower transfer fee. There are also offers which don't incur a transfer fee, where interest remains chargeable on the account from day one.

Mr P has concerns that these "handling" fees are unfair and shouldn't be charged as a percentage of the borrowing, as that doesn't reflect the cost of transferring the money. Perhaps Tesco have reflected upon this themselves, judging by them renaming the fees to "transfer" fees. But that name change in itself doesn't mean the fees charged to Mr P were unfair. In examining his use of these accounts, it's clear that he's benefitted from transferring the money with introductory periods of 0% interest, and I'm satisfied that he's chosen to pay these handling or transfer fees in order to secure a period of borrowing at 0% interest.

As such, in this case, I don't agree that these fees or the way they are charged as a percentage of the borrowing is unfair. In their FRL, Tesco upheld Mr P's concern about not receiving a call back when promised, and offered to pay him £15 for this, which feels fair. If he hasn't had this £15, he may wish to make contact with Tesco himself to arrange payment of this. But I won't be asking Tesco to do anything here more than that, as I'm satisfied that they haven't treated Mr P unfairly or done anything wrong when charging these fees on his credit card account.

### **My final decision**

I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 1 November 2024.

Paul Cronin  
**Ombudsman**