

The complaint

Miss O complains that Tesco Personal Finance PLC unfairly applied interest charges to a balance transfer she had made to a credit card account she held with it

What happened

In January 2023 Miss O applied for a balance transfer credit card account with Tesco. This account came with a 0% interest offer on balance transfers for 24 months. The pre-application information said there were two conditions that had to be complied with for a balance transfer to be eligible for the 0% interest. These were that the credit card had to be activated within 60 days and any balance transfer had to be requested within 90 days of the account being opened to allow it to be processed. Miss O applied for a balance transfer of around £2,200 at the same time she applied for the card. Her application was agreed by Tesco.

The following day Miss O was sent the credit card and a Welcome Pack. The card had a sticker on it to remind customers to activate it. Miss O didn't activate the card until April 2023. She says it wasn't until some months later that she realised she was being charged interest on the balance transfer amount. She complained to Tesco.

Tesco didn't uphold her complaint. It said she hadn't activated her card until close to the 90th day and that due to a potential security issue, her credit card had been blocked while she was asked to confirm via SMS that the balance transfer transaction was her. Tesco said that Miss O hadn't responded until a second SMS was sent some days later. It said she had missed the 90-day window in which to make a balance transfer and that there had been no error by it in adding the interest charges to the balance of the account.

Miss O disagreed with Tesco's response and complained to this service. She said she had activated the card within the 90-days as required for the balance transfer request and hadn't received the SMS message which asked her to respond. She said Tesco had unfairly applied interest charges which should be reimbursed.

Our investigator recommended that Miss O's complaint should be partially upheld. He said that looking at the evidence and response provided by Tesco to Miss O's complaint that the final response letter had been incorrect as to what had happened. He said he thought the pre-application information provided to Miss O about the credit card and balance transfers had clearly set out what she had been required to do in respect of activating the card within 60 days. He said as Miss O hadn't activated the card within the necessary time limit then Tesco hadn't acted unfairly in applying the interest as she wasn't eligible for the 0% interest offer.

However, our investigator said that Miss O had been caused unnecessary distress and inconvenience by Tesco's handling of her complaint. It had provided her with an explanation that wasn't correct. He said Tesco should pay Miss O £100 compensation for this.

Miss O agreed with our investigator's view, but Tesco disagreed. It said it accepted there were errors in its final response letter to Miss O about her complaint, but these did not

impact on the balance transfer decision, nor had they caused interest to be added to Miss O's account. Tesco said the decision Miss O wasn't eligible for the 0% interest offer on her balance transfer had been correct as she hadn't activated the credit card within 60 days as required.

Tesco said it accepted it would have been frustrating for Miss O to receive the wrong explanation, but this hadn't caused material distress to her. It said this was because even though the information in its response letter had been wrong, the interest had been charged correctly and the information provided would not have changed the outcome irrespective of whether the credit card had been activated within 90 days or not.

Miss O said that £100 compensation was the minimum she should receive for the unnecessary upset and for the time and energy she had wasted because of Tesco. She said she had opened this credit card account believing she had 90 days in which to activate the credit card and no reference had been made to 60 days.

Miss O said she had spoken with Tesco following her complaint and in February 2024, it had offered her reimbursement of two months interest and to transfer the remaining balance to 0% interest card for the remaining period. She said she had declined this offer as she wanted the full amount of interest charged on this balance transfer to be reimbursed. Miss O also said that when speaking to various agents of Tesco they had all said she had 90 days in which to make the balance transfer to the account.

As the parties were unable to reach an agreement, the complaint was passed to me. I issued a provisional decision along the following lines.

Tesco had sent to this service the pre-application information provided to Miss O when she had first looked at opening the balance transfer credit card. However, Miss O said she had never been told about the 60-day window in which she had to activate the card and also said that there wasn't anything that showed this pre-application information referred to the credit card she had applied for.

Where information is missing or contradictory (as it was here) then I must decide what I think is the most likely thing to have happened. And I was satisfied that the pre-application information supplied by Tesco would have been presented to Miss O when she had gone to the website to apply for this balance transfer credit card. I also thought this information as to the time-limit in which to activate the card had been clear.

I'd seen that on clicking the "Apply Now" button a further screen opened and was headed "*Let's get started*", and as you moved through the screens, it said "*Managing your account*". Under this heading there were bullet points and the first said:

- *If you ask for a balance transfer, you'll need to activate the card within 60 days so we can process it."*

It was only after reading these screens that the application for the credit card itself was then made. Looking at the information, and how it had been laid out, I couldn't reasonably say that when Miss O had applied for the credit card and made the balance transfer request, she hadn't been told that she needed to activate the credit card within 60 days to be able to take advantage of the 0% interest on balance transfers. I accepted that there were 90-days in which to make balance transfer requests, but the card still had to have been activated within the first 60 days of the account opening to be eligible for the 0% interest period.

I'd also seen that there hadn't been a delay in the credit card being provided to Miss O and that there had been a number of reminders including a sticker on the card that it needed to be

activated. Miss O hadn't activated it until around the 90th day after opening the account. And as this wasn't in line with the terms of the 0% interest being applied to the balance transfer, interest had been added as per the other terms and conditions.

Miss O said that other agents had told her that there was a 90-day time frame for balance transfers and while I didn't know what had been said by either party in these calls, the 90-day window was correct, but the issue here was that Miss O had also been required to activate the card within 60-days first. I'd also seen that in February 2024 Tesco, as a gesture of goodwill, had offered to apply a two-month interest waiver to any amount remaining of the balance transfer but at that point she had actually cleared it. I didn't think this offer had been an indicator that it had accepted the requirement to activate the credit card in 60 days had been unclear.

It wasn't disputed that Tesco had provided Miss O with the incorrect reason as to why interest had been applied to her balance transfer. And I accepted that it would have been frustrating but, although I appreciated Miss O would be disappointed, I didn't think that mistake had warranted compensation.

This was because Miss O's complaint had been that the balance transfer shouldn't have incurred interest but, as set out above, I was satisfied that Tesco hadn't acted unfairly by adding it. Miss O had no longer been eligible for this offer as she hadn't abided by the terms that applied, that is she hadn't activated the credit card in the applicable window and it had been reasonable to say she should have been aware of that requirement. So, I wasn't intending to uphold her complaint about that. The final response letter from Tesco had no impact on the interest being added to Miss O's credit card account.

Looking at what Miss O had said about not accepting Tesco had told her about the 60-day activation requirement, I didn't think I could reasonably say the only reason Miss O had raised her complaint with this service was because of what Tesco had said in its response letter to her. So, although it would have been frustrating to learn that the reasons she had been given weren't accurate, I thought it was more likely than not she would have still brought her complaint to us. And, even if the explanation given by Tesco had been the main motivating factor to raise the complaint, as the interest hadn't been unfairly incurred, it wouldn't be reasonable for it now to be reimbursed. I didn't think compensation was merited to Miss O as I wasn't intending to uphold her complaint.

Tesco has agreed with my provisional view, Miss O hasn't asked me to reconsider the conclusions that I reached.

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.

Even though neither party has asked me to reconsider my provisional decision, I have still reviewed the evidence and the conclusions which I reached. I haven't changed my view. I still don't think compensation to Miss O is warranted due to the error in Tesco's final response letter to her complaint. Even though it had given Miss O the wrong reasoning for why interest had been added to the balance transfer, Tesco hadn't actually acted unfairly on finding Miss O's credit card account wasn't eligible for the 0% interest offer. This was because she hadn't kept to the terms and conditions for that offer to be applied to her account.

So, for the reasons set out above, I'm not upholding Miss O's complaint.

My final decision

As set out above, I'm not upholding Miss O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 13 November 2024.

Jocelyn Griffith
Ombudsman