

The complaint

Mr L complains that MBNA Limited has charged him interest on his credit card despite making payments to clear the retail purchases on the account.

What happened

Mr L entered into a credit card agreement with MBNA in November 2023. The credit card had an introductory offer where retail purchases were interest free for the first 60 days.

Mr L discovered that he had been charged interest of £0.71. He didn't think this should have been charged interest as he'd paid the transaction off, so he called MBNA. He says he had to wait for his call to be answered and once connected was placed on hold several times. Mr L raised a complaint about the interest which had been applied to his account and about the customer service he'd received when he called.

In its final response dated 13 May 2024, MBNA said it agreed that the service Mr L had received when he called could have been better and offered compensation of £30. In relation to the interest applied to the account, MBNA said it wasn't upholding this part of the complaint as it had been charged correctly. As a gesture of goodwill MBNA refunded interest totalling £10.45 and applied a 2 month interest freeze to give Mr L the opportunity to pay off the balance or move the balance elsewhere.

Mr L remained unhappy and brought his complaint to this service. He says that although he was told by the complaints manager that the last two months interest would be refunded, only one month's interest of £0.17 had been refunded. He wants compensation of £500.

Our investigator didn't uphold the complaint. She said the terms and conditions of the account made it clear that the full balance shown on the previous and current statement had to be paid or interest would be charged. She said that because the balance wasn't paid off in full, MBNA had the right to charge interest. The investigator also said that the compensation for the customer service aspect of Mr L's complaint was fair.

Mr L didn't agree. He said he'd been insulted by the agent when he called MBNA and wanted the bank to pay more than £30 compensation for this. He said the bank hasn't refunded interest as promised. He said he also wanted £200 compensation for the time it had taken him to bring his complaint to this service.

Because Mr L didn't agree I've been asked to review the complaint.

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.

Interest

I've reviewed the terms and conditions of the account. These explain how interest is calculated. At section B4 of the terms and conditions it is stated as follows:

B4 How interest is worked out

We do not charge interest on purchases made during your latest statement period if you pay off your full balance (including any balance transfers and money transfers) by the payment due date and you have also paid in full your previous months balance by the due date.

The terms and conditions go on to give some example scenarios to show when interest will/will not be charged:

Scenario 1 – you pay the balance in full every month

If you pay your May balance in full, then make a purchase in June, we do not charge interest on that purchase if you pay your June balance in full

Scenario 2 – you start paying in full

If you make a purchase in May and pay less than the full balance shown on your May statement, then make another purchase in June, we charge interest on both purchases from the date we add each to your account, even if you pay your June balance in full.

Scenario 3 – you stop paying in full

If you pay your May balance in full and paid in full previously, we will calculate the interest charges on any purchases you make in June from the date we add each one to your account, but will only add that interest to your account if you don't pay the June statement in full. If you don't pay the June statement in full, those interest charges will be added on your July statement.

I've also reviewed Mr L's monthly statements. These explain how interest is calculated and charged. On the statement it says:

Interest free period – Maximum 56 days for purchases if you pay your balance in full and on time each month

Interest charging information – We calculate interest daily based on the total amount you owe. We add together all the daily interest amounts in each statement period and add the total to your balance on your statement date. You will not pay interest on new purchases if you pay the full balance shown on your previous and current statement (including any balance transfers and money transfers) on time. Otherwise, the period over which interest is charged is as follows:

Purchases, Cash Transactions, Balance Transfers and Money Transfers: from the date the item is debited to your account until the balance is paid in full.

Looking at Mr L's statements from January 2024 to June 2024, I can see that he hasn't been paying off his balance in full each month (including the part of his balance on the 0% retail spend promotional offer). Based on what I've seen, I don't think MBNA made an error when it applied interest to the account, because it was charged in line with the terms and conditions.

I can see that MBNA agreed to refund some interest as a gesture of goodwill. Mr L has said that he's only received a refund of £0.71 and that a further months refund is outstanding. I've reviewed the statements and I can see that two interest charges have been refunded, £0.71 and £9.74, making a total of £10.45. This refund appears to be correct and in accordance with MBNA's final response letter.

Taking all of the available information into account, I'm unable to say that MBNA made an error when it applied interest to the account. Based on what I've seen, the interest was charged correctly and in line with the terms and conditions.

Customer service

MBNA has acknowledged that the customer service could've been better when Mr L called to query the interest on his account. It upheld this aspect of Mr L's complaint because the agent made a comment about Mr L paying more interest which upset Mr L.

I've reviewed the call and I agree that the customer service could've been better. But I think the compensation of £30 already offered to Mr L is fair and reasonable. So I won't be asking MBNA to pay further compensation.

Finally, Mr L has said that he wants his time in bringing this complaint recognised by a compensation payment of £200. The investigator has explained to Mr L that this service doesn't award compensation for this, as it's reasonable to expect that customers will spend time bringing a complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 5 December 2024.

Emma Davy
Ombudsman