

The complaint

Mr M complains that Tesco Personal Finance Limited, trading as Tesco Bank, attributed a payment to his non-interest bearing balance transfer rather than his interest bearing transactions.

What happened

Mr M has a Tesco Bank credit card. In July 2024, before his next statement was produced, he transferred money from another account to credit his Tesco Bank account. Tesco Bank attributed the payment to the non-interest-bearing balance on the account that had been generated by an earlier balance transfer. Mr M said they should have used that money to pay off the interest-bearing transactions he'd completed in June and July 2024.

Tesco Bank thought they'd done nothing wrong. They said they'd applied the terms of agreement correctly and had paid off the balance that was on the statement as the new transactions hadn't appeared yet. When Mr M referred his complaint to this service our investigator agreed with Tesco Bank.

Mr M remained dissatisfied. He said he'd never been provided with the full terms and conditions, and it wasn't fair for Tesco Bank to apply them. He referred us to an *"In Summary"* document that set out Tesco Bank's pricing policy. That explained that when a payment was made, they would use it to pay off the items with the highest interest rates first. He said that's what Tesco Bank should have done, and he asked for a decision by an ombudsman.

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 know it will disappoint Mr M, but I'm not upholding this complaint. I'll explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

In respect of the Allocation of Payments the *"In Summary"* document Mr M has referred me to says:

"[...] When you pay us, we use the money to pay off the items with the highest interest rates first. [...] For further details, please refer to section 6. Paying off your balance, of the General Conditions."

Section 6 of the General Terms and Conditions repeats that, and adds:

"[...] We always use your payments to pay off items which have appeared on a statement you've received, before anything that hasn't yet appeared on a statement."

Applying those terms to Mr M's concerns it seems Tesco Bank haven't made a mistake. The payment Mr M made was attributed to the balance on the account at the time; the non-interest-bearing balance. The terms didn't allow the payment to be made towards the transactions Mr M had made as they hadn't appeared on the statement yet.

I think Tesco Bank were fair to apply those terms in the way that they did, and I don't accept that Mr M couldn't reasonably have been aware of them as he was aware of the In Summary document and that referred him to the fuller conditions I've set out above.

I am not, therefore, asking Tesco Bank to take any further action.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 February 2025.

Phillip McMahon
Ombudsman