

The complaint

Mr E complains that Capital One (Europe) plc applied interest to his account even though he'd settled the previous statement balance in full.

What happened

Mr E holds a credit card with Capital One.

On 7 July 2022 Mr E made a payment of £29.35. The transaction was treated as a cash transaction and Mr E was charged a cash withdrawal fee of £3.00. Cash interest of £0.30 was applied to his account on 18 July 2022, £0.60 on 18 August 2022 and £0.01 on 18 September 2022.

Mr E's July statement was generated on 11 July 2022. He paid the statement balance by direct debit.

Mr E then noticed that he'd been charged cash interest in August and September. He contacted Capital One and complained that he had been charged cash interest when he had paid the balance in full in July.

Capital One didn't uphold the complaint. It explained that cash interest is charged daily from the date the cash transaction is added to the account until the date the cash balance has been repaid in full. It said that in order to stop cash interest being applied to the account, Mr E would need to clear the balance in full and on time for two consecutive months and not use his card during this period. It said that unless the outstanding balance was paid in full every month, it would allocate payments to the balance in a particular order. It said the outstanding balance wasn't the same as the previous statement balance, which meant that although Mr E's direct debit payment in July had cleared the previous statement balance, there was still an outstanding balance as a result of his transactions. Capital One said that the interest had been correctly applied to the account.

Mr E remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. She said the terms and conditions of the account clearly explained when cash interest would be applied and that in this case, the interest had been correctly applied.

Mr E didn't agree so 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.

I've reviewed the terms and conditions of the account. These say that a cash transaction fee will apply to cash transactions. They also say that interest will be charged on cash transactions from the date of the transaction until the date it is repaid in full.

Mr E accepted the terms and conditions when he took out the card.

I've also reviewed the monthly statements for the relevant period. The cash transaction debited Mr E's account on 7 July 2022. Interest was calculated from this date until the transaction was repaid on 19 August 2022. Interest of £0.30 was applied which represented daily interest from 7 July 2022 until 18 July 2022 (the statement date). Further interest was charged from 19 July 2022 until 10 August 2022 when the transaction was fully repaid.

Based on what I've seen, interest has been correctly charged on the transaction in accordance with the terms and conditions.

Having considered all of the available information, I haven't seen anything to suggest that Capital One has made an error or treated Mr E unfairly.

I can see that Capital One refunded £0.61 of the cash interest in September 2022 as a gesture of goodwill. I think this was a fair and reasonable gesture of goodwill and I won't be asking Capital One to do anything further.

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 E to accept or reject my decision before 27 March 2025.

Emma Davy
Ombudsman