

The complaint

Ms L complains that Bank of Scotland plc trading as Halifax charged interest incorrectly on her credit card account.

What happened

Ms L says, following a conversation with Halifax in May 2023 about clearing the purchase balance to avoid paying the higher interest, she made a large payment to her account expecting the interest to be lower, but this didn't happen. She says she didn't make any purchases using her credit card account from June 2023 but was charged the highest interest rate on the outstanding balance as opposed to the balance transfer interest rate.

In January 2024, Ms L contacted Halifax to complain about the interest charges. She says it didn't listen to her concerns, refused to log her complaint and hung up on her. Subsequently, Halifax incorrectly reopened a previous complaint and resent a final response letter from April 2023 to Ms L. Unhappy with the interest charged, lack of clarity on her statements and handling of her complaint, she brought the complaint to our service.

Halifax agreed to pay £100 compensation for the service it provided Ms L when she raised the complaint with them. But explained there were no errors in the interest applied to Ms L's credit card account.

Our Investigator reviewed matters and thought Halifax had correctly charged interest. But felt the service Ms L received could have been better, and the compensation of £100 is a fair reflection of the distress and inconvenience caused.

Ms L disagreed. She said in May 2023 she was advised a payment of £3,869 would clear her purchase balance and she would only have her balance transfer amount outstanding which would incur 4.9% interest.

Following contact with our Investigator, Halifax confirmed Ms L was charged correctly but was misadvised when she contacted them about the purchase balance in May 2023. It explained the advisor could only provide the balance on that day, and should have explained any payment would clear the balance from the previous statement before being applied to recent purchases. As Ms L was misadvised, it agreed to refund the interest charged on the account from June 2023 (no interest was charged in May 2023) up to February 2024 when the purchase balance was repaid. This amounted to £241.05.

Our Investigator felt this was a fair way to put things right. Ms L didn't agree. In summary, she says Halifax hasn't taken loss of interest into consideration or offered compensation for the distress it has caused her during this period. She thinks Halifax has shown cavalier behaviour towards its customer.

As Ms L remained unhappy with the outcome, the case was passed to me to make a decision.

I issued a provisional decision on 31 January 2025 as follows:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've looked at Ms L's credit card statements, it details the breakdown of the interest charged each month, and how payments are allocated. But the key issue here is the information Ms L was given when she contacted Halifax in May 2023. Halifax has accepted Ms L was misinformed about the purchase balance. And to put things right, it has offered to refund all the interest applied to the account between June 2023 and February 2024, when Ms L paid off her purchase balance.

Halifax has told this service the outstanding balance from the previous statement, which includes any balance transfers, would need to be paid off first before payments can be made towards recent transactions. But I don't think this is quite right. Ms L wanted to pay off her purchase balance so she should have been advised to pay her purchase balance of £979.59 from the April 2023 statement, wait until her May 2023 statement was issued on 21 May 2023, and then pay off the remaining purchases which totalled £3,164.36. By doing this, Ms L would have paid towards the highest interest bearing balance and had the balance transfer remaining as she wanted. Because this didn't happen, Ms L incurred higher interest on her outstanding balance when she shouldn't have.

Therefore, I've considered whether I think Halifax need to do more here. And having done so, I don't think it does. I say this because had everything happened as it should have, and Ms L received the right information in May 2023, she would have needed to pay £4,143.95 to cover her full purchase balance, which is slightly more than the payments she made that month of £4,109.16. And she would have continued to incur interest on the remaining balance of her balance transfer, and on the balance transfer she completed in November 2023. So, by agreeing to refund the full interest for that period, Halifax is refunding more than I would have required it to if it hadn't refunded anything already.

Ms L has said the refund doesn't take into account the loss of interest and the distress and inconvenience she's suffered. When the Investigator asked Ms L to evidence her losses, she confirmed she was referring to the ISA interest rate in the same period, but didn't provide any further information detailing her losses. Having thought about any potential financial losses here, I'm not persuaded it would have amounted to more than what Halifax has offered. This is because Ms L would always have paid £4,143.95 to her card if she had been given the right information. Ms L paid a little less, but the money she paid was always owed on the card, so it wouldn't have been kept in another account earning interest.

The main issue is whether Ms L paid more interest on her card purchases, than she should have if she had just left her balance transfer on the card. But since Halifax refunded all the interest, I don't need to consider this difference in interest rates as Ms L paid no interest on any of her balances.

I do appreciate Ms L was caused distress and inconvenience due to the misinformation and problems she experienced raising this complaint. Halifax has recognised its service fell below what Ms L should have received and offered £100 compensation. Having thought about the overall impact Halifax's actions had on Ms L, I consider £100 compensation and the additional interest to be a fair way to resolve matters in the circumstances of the complaint.

I know Ms L will be disappointed with the decision I've reached as she feels strongly about this complaint. But I think Halifax's offer is fair and reasonable, so I don't require it to do anything more.

I invited Ms L and Halifax to give me any more evidence and information they wanted me to consider before issuing my final decision.

Halifax confirmed it had nothing further to add. Ms L didn't respond to say whether or not she accepted the provisional decision.

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.

Given I've not received anything new for my consideration, I see no reason to depart from my provisional decision – which was that Halifax should pay the amounts it said it would.

My final decision

Bank of Scotland plc trading as Halifax has already made an offer to pay £241.05 interest and £100 compensation and I think this offer is fair in all the circumstances.

So, my decision is that Bank of Scotland plc trading as Halifax must pay Ms L the interest and compensation offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 19 March 2025.

Tania Henry
Ombudsman