

The complaint

Mr J complains about the interest charged on his credit card account with Bank of Scotland plc trading as Halifax.

What happened

On 31 May 2024, Mr J made a cash withdrawal using his credit card. He says, he paid this amount into his card on the same day to avoid any interest being applied, but was charged for the transaction. Unhappy with this, he raised a complaint.

Halifax offered £30 compensation for misinformation it gave when Mr J queried the transaction, but thought the interest was charged correctly. It explained that Mr J's transaction didn't clear until 3 June 2024, which meant when Mr J paid towards the account, he cleared the transactions that were already on his statement. He was then charged daily for the cash transaction from 3 June 2024 until 13 June 2024, when Mr J cleared the full balance.

Our Investigator reviewed matters and felt the interest applied was correct. They said as the cash transaction was pending and Mr J had an outstanding balance, his payment was allocated to the existing balance on the account. They also said the £30 compensation is fair and reasonable for the misinformation Halifax gave to Mr J when he contacted it.

Mr J disagreed. He said, in summary, unlike other transactions that incur interest weeks later, cash transactions are immediately interest bearing, so Halifax should have allocated the payment to the cash transaction in line with its terms and conditions.

As Mr J remained unhappy with the outcome, the case was passed to me to make a 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.

In order to uphold this case, I'd have to be satisfied Halifax did something wrong. To determine that, I'll need to look at the terms and conditions to see if Halifax followed them correctly. And, if Halifax did follow them correctly, whether it has otherwise treated Mr J unfairly or unreasonably.

The terms and conditions of Mr J's credit card account state:

"We will reduce the amount you owe in the following order:

- any overdue amounts from previous statements; then*
- the remaining balance on your statement; then*
- any recent transactions not yet shown on your statement.*

We use your payments to pay off balances charged at the highest interest rate first and so on down to balances with the lowest interest rates.

If there is more than one type of balance at the same interest rate, they are normally paid off in the following order: cash transactions, purchases, balance transfers and money transfers, and then default charges (plus any interest or charges incurred as a result of those balances). For each type of balance, your payments will pay off the oldest balance (and related fees, charges or payment protection insurance) first...”

I understand Mr J wanted to avoid interest on the cash transaction he carried out on 31 May 2024. However, the transaction hadn't cleared on his account when the payment was made. This meant, in line with the terms and conditions, the payment was allocated to Mr J's statement balance.

I acknowledge Mr J's frustration and comments that Halifax's system should recognise the cash transaction regardless of whether it is pending. Ultimately, a transaction would show as pending until it is requested by the merchant, as not all transactions authorised with merchants eventually complete.

Here, Halifax has said interest was charged daily from 3 June 2024 when the cash transaction was posted to the credit card, and not on 31 May 2024 when it was carried out. It would seem unfair if Halifax had charged interest on a transaction that hadn't posted but then allocated Mr J's payment to the statement balance. But in this case, Halifax says it didn't charge interest on the cash transaction until the date it posted, and treated any payments prior to 3 June 2024 as payment towards Mr J's existing balance.

From what I've seen, I'm satisfied interest was charged correctly – in line with the terms and conditions of Mr J's credit card account. So had Mr J waited until the transaction had cleared, and was incurring interest, his payment would have been allocated as he had wanted.

I can see Halifax offered £30 compensation for the misinformation it provided. Based on the information available, this seems fair and reasonable in the circumstances. And as Mr J hasn't raised further concerns with this element, I don't think I need to consider it further.

I appreciate Mr J will be disappointed with the decision as he made the payment to avoid interest being applied. But I think Halifax has acted fairly and reasonably, so I won't be asking it to do anything more.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 10 April 2025.

Tania Henry
Ombudsman