

The complaint

Mr D complains, on behalf of the estate of Mrs D, that Barclays Bank UK PLC (trading as Tesco Bank) charged too much interest on Mrs D's credit card.

What happened

Mr D says that when he was reviewing Mrs D's credit card account, he identified that payments to the card were not being applied to the higher interest bearing balances first. He adds that the interest rate also differs from that stated on the account, so cannot agree the final balance. He says that, as a result, he has spent significant time reviewing several years of statements at a particularly distressing time.

Tesco says it can't investigate anything prior to September 2018 due to it being time-barred but acknowledges there has been a Cash Transaction balance of £0.19 dating back to then. It says it hasn't charged any interest on this balance since at least September 2018. It adds that the balance of around £84 for "Other Fees" was also generating no interest so that all Mrs D's payments were allocated to the Purchase balance as the only one generating interest. Tesco says Mrs D was paying at least the minimum payment each month, but that interest was correctly charged as the balance wasn't cleared in full each month.

Our investigator did not recommend the complaint should be upheld. He was satisfied that interest had been correctly applied to Mrs D's account.

Mr D responded to say, in summary, that the issue was that interest was not charged in line with the terms and conditions of the account.

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 have looked at Mrs D's statements and, for example, in October 2018, I can see that an interest rate of 1.873% was charged on Purchases and Other Fees and 2.207% was charged on Cash Transactions.

As Mrs D had a small Cash Transaction balance of £0.19, I can understand why Mr D would have expected any payments to be allocated to this first. However, Tesco was not charging any interest on the Cash Transaction balance, thereby making the effective interest rate 0% on this.

Instead, Tesco has allocated all Mrs D's payments to her Purchases where she was incurring the higher interest rate. I do not find Tesco has made an error in doing so, nor do I find Mrs D suffered a financial detriment as a result.

I accept that the terms and conditions say, *"When you pay us, we use the money to pay off the items with the highest interest rates first"*, however, as the effective interest rate on the Cash Transaction balance was 0%, I am satisfied the payments were correctly allocated. Equally, as the calculated interest rate on the £0.19 balance would have been less than 1p, this would not have been high enough to be recorded on the statement. So, I cannot agree with Mr D when he says that interest was not charged in line with the terms and conditions of the account.

In summary, I do not find that Mrs D was charged too much interest on her credit card.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mrs D to accept or reject my decision before 5 August 2025.

Amanda Williams
Ombudsman