

The complaint

Mrs W is unhappy that The Co-operative Bank Plc, trading as Smile, applied interest to her purchase balance on her credit card account.

What happened

Mrs W has a credit card account with Smile. Mrs W initially used the account solely for purchases and ensured that she repaid the full outstanding balance of the account each month, thus ensuring that she wasn't charged any interest on her purchase balance – as per the terms and conditions of the account.

In January and February 2024, Mrs W used her Smile account for balance transfers (of approximately £2,600 and £3,400 respectively) utilising 0% interest rate offers promoted by Smile and continued to use the account for purchases. Mrs W then made monthly payments to her account which cleared her purchase balance each month and which reduced the balance transfer amount outstanding at a rate which would ensure that the full amount was cleared before the 0% interest rate promotional offer expired. By doing so, Mrs W believed that she would continue to not pay any interest on the account.

After completing the balance transfers, Mrs W noticed that she was being charged interest on her purchase balance by Smile each month – despite making payments to avoid this as described above. Mrs W called Smile and asked why this was happening, to which Smile's agent responded that it was a mistake and arranged for the charged interest to be reimbursed. But Mrs W was then charged interest again the following month and again had to call Smile who confirmed that the interest had been applied to the account in error and arranged for its reimbursement. In total, Smile reimbursed five months of interest in this way.

However, when Mrs W called Smile again, in August 2024, because interest had been charged to her account again, she was told that Smile hadn't in fact made any mistake and that no further interest reimbursements would be applied.

Smile explained that to not pay any interest on monthly purchases, the full account balance needed to be paid every month, including any balance transfer amounts. And because Mrs W didn't clear her outstanding balance transfer amount in full, this meant that interest did apply to any purchase balance that Mrs W accrued. Mrs W wasn't happy about the position that Smile took in this regard, so she raised a complaint.

Smile responded to Mrs W but maintained that they were administering her credit account correctly, including by applying interest to the purchase balance each month, and so didn't feel that they'd done anything wrong. Mrs W wasn't satisfied with Smile's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Smile had acted unfairly as Mrs W believed was the case and didn't uphold the complaint. Mrs W remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

I issued a provisional decision on this complaint on 25 June 2025 as follows:

Smile have explained why Mrs W has been incurring interest on the account, and I'm satisfied that Smile's explanation is accurate and correct and that interest had been charged on the account in line with the terms and conditions of the account. Specifically, because Mrs W hasn't been clearing the full balance of her account (because she hasn't paid off the balance transfer amount in full) then this means that her monthly spending on the account attracts interest – from the date of the spending to the date that Mrs W makes her monthly payment. And because Mrs W isn't clearing her total account balance in full, it is no longer the case that by making a payment to clear the full purchase amount each month that Mrs W can avoid paying interest on the purchase balance that she accrues that month.

However, it's clear to me that Mrs W was using her Smile account so that she made monthly payments to clear her purchase balance and avoid paying interest on that amount. And I don't feel that Smile made it sufficiently clear to Mrs W that by taking a balance transfer, that she would no longer be able to use the card as she had been doing and continue to not pay interest on her monthly purchase balance. Furthermore, I feel that if Smile had made this point clear to Mrs W, that it's most likely the case that she wouldn't have undertaken the balance transfers on the account that she did.

Smile may argue that the terms and conditions of the account are clear, such that Mrs W should reasonably have known that by taking balance transfers, and not immediately paying them off in full, that her monthly purchase balance would begin to accrue interest. But I've specifically asked Smile to provide evidence that an account holder taking a balance transfer is clearly informed of the potential consequences regarding ongoing monthly purchase interest accrual, and Smile haven't provided any such evidence to my satisfaction.

Additionally, I feel it's reasonable to question the clarity of Smile's terms and conditions when Smile's own telephony staff don't understand those conditions themselves – as evidenced by the five months of interest reimbursement that Smile's staff provided (incorrectly) to Mrs W before a member of Smile's back office intervened.

Ultimately, I'm not convinced that Smile have fulfilled their duty to Mrs W as a consumer by providing her with the information about the potential consequences of balance transfers that she needed, at the time she needed it, and presented to her in a way that she could clearly understand it. And because of this I don't feel that Smile enabled Mrs W to make an informed decision about taking the balance transfers, and that an unfair outcome has arisen as a result.

Accordingly, as explained, I'm provisionally upholding this complaint in Mrs W's favour and provisionally instructing Smile to reimburse the interest payments that Mrs W has made back to her along with 8% simple interest, as per the opening paragraph of this section. However, if it is the case that I issue a final decision that confirms my provisional instructions here, I won't expect Smile to reimburse any further interest payments that Mrs W may accrue on this account from the beginning of the subsequent month. Instead, I'd feel that, from that time, it would be for Mrs W to not undertake monthly spending on the Smile account while a balance transfer amount remains outstanding.

Finally, my provisional decision also includes that Smile must pay £250 to Mrs W as compensation for the frustration and inconvenience that she's incurred here. In arriving at

this compensation amount, I've considered the impact of what's happened on Mrs W, alongside the general framework that this service uses when assessing compensation amounts, details of which are available on this service's website. And, having done so, I feel that £250 is a fair compensation amount.

Smile responded to my provisional decision and provided further information which they felt demonstrated that they had specifically told Mrs W, when she'd applied for the balance transfers, that she would incur interest on any purchases she made after the balance transfers unless the full balance of her account, including the balance transfer amounts, was cleared by the required date of the month. This led me to issue an updated provisional decision on 18 July 2025 as follows:

The first piece of new information comprises of secure messages that took place between Mrs W and Smile in January 2024, when Mrs W enquired about the first balance transfer. The key secure message took place on 25 January 2024 and was from Smile to Mrs W in response to her request for information about what balance transfer offers were available. This message listed the balance transfer options available to Mrs W, and then went on to provide the following information:

"We don't charge interest on purchases shown on your statement if you repay the full balance (including all promotional balances) on that statement by the next payment due date... For example, you might make a balance transfer of £1,000 and then use your card for a purchase of £100. If your next payment is less than the full balance of £1,100 we will charge interest on the purchase. This is calculated from the date you made the purchase..."

The second piece of new information was a call recording between Mrs W and Smile on 4 March 2024, when Mrs W instructed the second balance transfer. On that call, Smile's agent explained to Mrs W that before they could proceed, they needed to read some important information to Mrs, which included the following:

"Please bear in mind that you will be charged interest on any purchases you make on the account unless you clear the full balance, including any balance transfer amounts, by the due date."

In consideration of this new information, I now feel that Smile did clearly inform Mrs W that she would be charged interest on any purchases she made on the account if she didn't clear the full balance of her account, including any balance transfer amounts, by the next payment due date. This was done via secure message and verbally, and before both balance transfers took place.

Given that my previous provisional decision was upheld in Mrs W's favour on the basis that Smile didn't provide that information to Mrs W, this new information means that I no longer feel that this complaint can fairly or reasonably be upheld on that basis. Indeed, given that I now feel that Mrs W did receive clear information from Smile about the consequences of taking a balance transfer regarding future purchase balance interest, my position on this complaint has now changed such that I no longer feel that Smile have acted unfairly towards Mrs W.

Accordingly, while I appreciate this will come as a disappointment to Mrs W, and while I acknowledge that it is disappointing that it has taken until now for Smile to provide this crucial information to this service, my updated provisional decision is that I do not uphold this complaint – because I now feel Smile did provide Mrs W with the relevant information to enable her to have made an informed decision.

Mrs W may argue that she didn't understand or 'take in' what Smile were telling her. But I feel that the information quoted above was clear, especially the information given in the secure message which provided an illustrative example. As such, if Mrs W didn't understand or absorb what she was told in these instances, I wouldn't feel that Smile could fairly be considered responsible or accountable for that.

Mrs W responded to my updated provisional decision and said that she still felt that the purchases she made on the card after the balance transfers had been undertaken should have been considered separately to the balance transfer balances. But Smile don't operate that way, and this service doesn't have the remit or the authority to tell a business how it should operate. What this service can consider is whether an account holder is accurately informed, and in this instance, I feel that the further information provided by Smile the led me to issue an updated provisional decision does demonstrate that they did inform Mrs W that she would incur interest on any purchases she undertook if she didn't clear the full balance of the account, including the balance transfer amounts.

Mrs W has said that she feels that Smile should have recognised that she always used her account so as to pay the purchase balance before the payment date and avoid the accrual of interest on the purchases she made that month. But it wouldn't be expected that a credit provider would monitor an account in the manner that Mrs W suggests here. Instead, as explained, it would be expected that the credit provider would provide accurate information to an account holder about how a balance transfer would affect the treatment of interest on an account if it remained unpaid. And I'm satisfied that Smile did that here.

Mrs W also said that because she could afford the accumulating interest, she had to move the balance transfer amount to another credit provider and thus incur another fee, which she would like Smile to reimburse. But if Mrs W wanted to continue to use her Smile account for purchases and not incur interest on those purchases, then she would have to move the balance transfer amounts to another credit provider or pay those amounts off. Alternatively, Mrs W could have used another credit account to undertake purchases and could have left the balance transfer amounts on the Smile account.

Ultimately, it was never the case that Mrs W could maintain a balance transfer amount on her Smile account and continue to not incur interest on purchases made using that account. If Smile hadn't explained this fact to Mrs W before she made the balance transfers, then I would have upheld this complaint in Mrs W's favour. But because I'm now satisfied that Smile did make Mrs W aware before she undertook the balance transfers, I don't feel that Smile can fairly or reasonably be held accountable for any interest or fees that Mrs W wasn't expecting because she hadn't fully understood the information that Smile had given her.

I realise this won't be the outcome that Mrs W was wanting here, but because it remains my position that Smile haven't acted unfairly towards her as she contends, I won't be upholding this complaint or instructing Smile to take any further or alternative action. I hope that Mrs W will understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 3 September 2025.

Paul Cooper
Ombudsman