

The complaint

X has complained about how HSBC UK Bank Plc applied payments to their credit card account.

What happened

X has a credit card account with HSBC, but is unhappy about how an £8,500 repayment was applied.

One of our investigators looked into what had happened, and thought the complaint should be upheld. He explained that we'd expect an account to run in line with the terms and conditions. And term six sets out how payments are to be applied.

The first three steps are with regards to the monthly payment amounts.

Step four states: 'To the rest of the transaction balance. You can find that amount in your statement'. In the April 2024 statement, the transaction balance was £4,399.11. The total balance was £7,758.85 (including the £3,359.74 balance transfer amount).

Step five in the terms and conditions states: 'To any transactions, interest or charges that haven't yet been included in your statement'.

So, what should've happened is:

- the £4,399.11 transaction balance should've been paid off;
- then any transactions X had made, but that were not yet included in the statements; and
- then, if there were any funds remaining, that's when the remaining balance should've been reduced.

Our investigator recommended that X's account should be reworked, and HSBC should pay £100 for the distress and inconvenience caused.

I agreed with our investigator, and for the same reasons he gave. It seemed that X's payment was applied to the sum of the entire balance at step four, rather than the transaction balance.

So, I provisionally agreed that the account should be reworked, from the May 2024 statement, including refunding any interest (and adding 8% simple interest a year to any refunds).

I was also satisfied that the matter has been time-consuming and inconvenient, and X should be awarded £200 compensation to reflect this.

HSBC then provided further explanation/clarification. It explained the statement of 30 April 2024, as follows:

- the outstanding balance on that statement, when produced, was £7,758.85 (with £3,359.74 of that consisting of the balance transfer amount); and
- X paid £8,500 in total, between the statement date of 30 April 2024 and the due date of 28 May 2024. So, this cleared the total balance, which contained the credit balance transfer figure.

This meant all money due on that statement was cleared. So, X's account would have been in credit, had there been no further transactions. But, there were further transactions of £2,468.38, which meant the 'carry forward' balance to the next statement was £1,727.23. And the £741.15 credit was put towards clearing the 'future' transactions not covered by the statement of 30 April 2024.

On the basis of this information, I no longer intended to uphold the complaint. So, I issued a second provisional decision explaining why, and giving both parties the opportunity to make any further submissions. My second provisional decision said as follows.

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

Having done so, I'm not minded not to uphold the complaint. I think that confusion has arisen over dates and what comprises a 'future' transaction. But, I'm now persuaded the correct allocation of X's repayment was made.

So, in the April statement, X owed £7,758.85, which was paid off in full. And, term six says:

"We apply your payments in a certain order **if the amount you pay in a month is less than the full amount you owe.**" (my emphasis added)

The total balance, including the balance transfer figure, was paid off at step four as 'the rest of the transaction balance' – because this was the full remaining statement balance (in this case the statement dated 30 April 2024).

In summary, as the payment made was more than what was owed on the April statement, this was cleared in full, and any remainder was allocated towards the new spending in the May bill.

I hope this reassures X that the account was worked correctly.

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.

As neither party made further submissions in response to my second provisional decision as set out above, I see no reason to depart from it. Accordingly, it now forms my final decision.

My final decision

For the reasons given above, it's my final decision not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 26 December 2025.

Elspeth Wood
Ombudsman