

## **The complaint**

Mr C is unhappy with how NewDay Ltd applied payments to a credit card account he held with them.

## **What happened**

The complaint circumstances are well known to both parties, so I don't intend to list this chronologically and in detail. However, Mr C had a credit card account with NewDay. In April 2025 he took advantage of a six-month 0% balance transfer offer, transferring a £1,045 balance on 5 April 2025, and a further £100 balance on 16 April 2025. NewDay charged a 3% balance transfer fee, so the total amount applied to the promotional rate was £1,179.24.

Mr C is unhappy that subsequent payments he made to NewDay were applied to the promotional balance, and not to the higher interest retail balance – the amount he'd spent on his credit card. He complained to NewDay, who said they'd applied the payments in line with the terms of Mr C's account. However, as a goodwill gesture, they refunded £69.14 interest charges that had been applied to the account in June and July 2025.

Unhappy with this response, Mr C brought the matter to the Financial Ombudsman Service for investigation.

Our investigator thought NewDay had acted reasonably when applying the payments as they did. However, they thought NewDay could've done better when explaining this to Mr C over the phone, and the responses could have been confusing. But the investigator thought the interest refund was sufficient compensation in the circumstances, and they didn't think NewDay needed to do anything more.

Mr C didn't agree with the investigator's opinion. He provided extensive comments explaining why this was the case, essentially saying that he had been provided with incorrect and misleading advice and, had he been properly advised, he would have acted differently. He also didn't think the investigator had correctly interpreted or taken full account of all the evidence. So, this matter has been passed to me to decide.

## **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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr C was supplied with a credit card

account by NewDay. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

I've seen a copy of the terms and conditions applicable to the credit card account Mr C had with NewDay. Under the heading "**7. Allocation of Payments**" these confirm:

*"If you do not pay the Account balance in full in any month, we will apply your payment to the stated Transactions as follows:*

- 1) It will be allocated to the different amounts of your outstanding stated balance that are charged at higher interest rates before those that are charged at lower interest rates.*
- 2) If interest is charged at the same rate on different amounts, we will apply your payment to the different amounts in the following order: Cash Transactions, payment protection insurance premiums, Balance Transfers, other Special Transactions, Purchases and other Transactions. If you have more than one Special Transaction at the same rate, your payment will be applied first to the Special Transaction that has the earliest Promotional Period end date.*

*Where an Account fee is charged in connection with a Transaction or Special Transaction, it will be applied by reference to that Transaction type. Otherwise it will be applied after all other Transactions as set out in 2) above.*

*We will apply any remaining payment to Transactions not yet shown on your statement in the same order as set out above."*

I'm satisfied this term clearly sets out how payments will be applied to transactions. And, given that it refers to 'stated transactions' and 'outstanding stated balance', it's also clear that the payments will be applied to the balance showing on the latest issued statement, and only if more than the balance showing on the latest issued statement is paid will anything be applied to any recent (unstated) transactions i.e., recent purchases.

I've also seen that NewDay sent Mr C a Notice of Variation letter, confirming 'Changes to your Credit Agreement', dated 19 March 2024. Although the wording of the above term changed slightly, the letter still confirmed that, when NewDay received payments "*we will apply it to the balance shown on your statement first, and then to any transaction not yet shown on your statement.*" I'm also satisfied this amended term is set out clearly and is unambiguous as to how payments would be allocated,

Having reviewed Mr C's statements, I can see that the statement dated 4 June 2025 had an outstanding balance of £2,417.04, broken down as follows:

- £156.88 Standard Money Transfer Rate at 34.512%
- £1,080.92 Standard Purchase Rate at 34.512%
- £1,179.24 Balance Transfer for 6 Month 0.0% Rate with an expiry date of 5 November 2025.

Mr C made payments, and had transaction reversals, totalling £1,539.21. This was applied off the stated balance, clearing the Standard Money Transfer balance, clearing the Standard Purchase Rate balance, and reducing the Balance Transfer balance to £877.83. Mr C also spent a net total of £485.86 between 4 June and 3 July 2025 and was charged £33.69 interest. This was applied to the Standard Purchase and Money Transfer balances when his next statement was issued on 6 July 2025.

I'm satisfied the payments were applied in line with the terms and conditions of Mr C's account, and NewDay haven't done anything wrong by applying the payments as they did.

The statement dated 6 July 2025 had an outstanding balance of £1,410.98, broken down as follows:

- £3.36 Standard Money Transfer Rate at 34.512%
- £529.79 Standard Purchase Rate at 34.512%
- £877.83 Balance Transfer for 6 Month 0.0% Rate with an expiry date of 5 November 2025.

Mr C then made payments totalling £1,435.35, which cleared the stated balance in full, leaving an excess of £24.37 which was applied against the purchases Mr C made after the 6 July 2025 statement was issued. This, again, was in line with the terms and conditions of the account. These purchases and interest totalled £1,972.31, which, when the £24.37 previous statement over payment was deducted, left an outstanding balance of £1,947.97. As Mr C had repaid the Balance Transfer balance in full, all this amount attracted the standard interest rates applicable to the types of transaction.

Again, I'm satisfied that NewDay acted reasonably by applying the payment to the balances as they did. And I don't think the fact that Mr C had complained about how his earlier payments had been applied changes things – as I've said, NewDay were applying the payments in line with the terms.

Turning now to how NewDay explained how payments were applied when he queried this with them, following receipt of the July 2025 transaction.

I've seen that Mr C contacted NewDay via their chat function on 8 July 2025. I've reviewed the chat log, and this clearly shows that Mr C was advised *"when you pay us, we'll pay off the balance showing on your statement first, and then pay off any more recent transactions."* They then went on to explain that payments would be applied to balances attracting higher interest rates first. It's also clear from the chat log that Mr C didn't accept this, maintaining his belief that, because his payment was less than the total of the purchases showing on his July statement plus the recent (unstatemented) purchases, then nothing should have been applied to his Balance Transfer balance.

In a subsequent phone call, NewDay again explained how payments would be allocated to Mr C's account, and again Mr C refused to accept this explanation. He again didn't accept that the balance of purchases on his account (when all purchases – those statemented and those yet to be statemented - were taken into consideration) was ever less than the value of the payments he'd made.

While I can understand why Mr C would want the payments applied this way, as it would reduce the overall interest he would pay; this is not in line with either the terms and conditions he agreed to, the varied terms and conditions set out in the letter of 19 March 2024, the explanation given on 8 July 2025, or the explanation given on the subsequent phone call. I'm satisfied that Mr C was clearly advised how the payments would be allocated so, when he made the payments, he did so from a position of being reasonably informed as to what would happen.

Finally, I've noted that Mr C has made extensive comments about the Notice of Variation letter, which he believes should be legally interpreted differently to how NewDay, the investigator, and myself understand it, and in such a way as it supports his view that NewDay have applied the payments incorrectly. The Financial Ombudsman Service is an alternative to the courts, and we are able to say whether something is more suitable for the courts. I'm satisfied that Mr C's argument about the subtle legal interpretation of the Notice of Variation is one of those things. As such, I won't make any further reference to this.

Given the above, and while I appreciate it will come as a disappointment to Mr C, I'm satisfied that NewDay have acted fairly and reasonably given all the circumstances. So, I won't be directing them to take any further action.

**My final decision**

For the reasons explained, I don't uphold Mr C's complaint about NewDay Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 May 2026.

Andrew Burford  
**Ombudsman**