

The complaint

Mr W complains about how Santander UK Plc have applied payments he has made to his credit card balance, to balances on promotional offers.

What happened

On 7 May 2025, Mr W made a purchase for £1,680 using his Santander credit card. On 9 May 2025, Mr W made a payment of £1,700 to his credit card, which he intended to pay off the purchase he had recently made. Mr W says that despite him making this payment to clear the purchase balance, Santander charged him purchase interest.

Santander explained to Mr W that the payment he made of £1,700 had gone towards the previous statement balance, because the purchase he made hadn't yet been billed onto his statement. Mr W believes this is unfair and misleading. He says this goes against the Financial Conduct Authorities (FCA's) rule, specifically CONC 6.7.4R which says that repayments should be applied to the highest interest balance first. He adds that the payment he made should have been applied to the purchase, and not the balance on a 0% balance transfer offer.

Mr W says he's lost out financially as he's had to pay £144.80 in unfair interest. He adds that he was misinformed by Santander that paying quickly caused the charges, which has resulted in unnecessary financial loss, confusion and frustration. To put things right, Mr W would like the interest refunding and the account corrected.

Santander responded to Mr W's complaint, but it said it hadn't incorrectly charged interest to Mr W's account. It said that payments go towards balances on the statement first, as outlined in its terms and conditions. So, it hadn't done anything wrong when it didn't use the payment to pay off the purchase Mr W had made days earlier.

The Investigator considered the information provided by both parties, but they didn't uphold Mr W's complaint. They said that information about payment allocation is included in both the terms and conditions of the account, and on Mr W's monthly statements – these show that payments are allocated to balances on the statement first. And so, they didn't think Santander had acted unfairly or unreasonably.

Mr W didn't agree with the Investigator's view and referred to the CONC rules. Stating that there is nothing in those rules which states that balances need to be on a statement, and payments should just be allocated to balances on higher rates before those on lower rates.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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 considered everything that's available to me, it is my decision not to uphold Mr W's complaint. I appreciate this decision will come as a disappointment to Mr W, however I will explain my reasons for this below.

Mr W hasn't disputed what Santander's terms and conditions state, or the information available on his statements. Therefore, I won't comment on this in too much detail. But I will add that I'm satisfied that Santander has acted in line with its terms and conditions when applying the payment Mr W made to his statement balance, before the recent purchase he made, which wasn't yet on his statement.

What Mr W is contesting now is that the way Santander are allocating payments goes against CONC 6.7.4R which states:

A firm must first allocate a repayment to the debt subject to the highest rate of interest (and then to the next highest rate of interest and so on) for:

(1) the outstanding balance on a credit card ...

Mr W is right in saying that the rules don't specify the 'outstanding balance' to be the statemented balance – there is no definition in the rules of what is meant by 'outstanding'. But because of this, I can't fairly say that Santander has done anything wrong when it has applied the payment to the balance from the statement first – I'll also add here that this is normal industry practice when applying payments – the payment allocation will go to arrears first, then anything on the statement (higher interest bearing balances first), then any recent transactions not yet on the statement. So, I don't think it has done anything wrong here.

It is however important that Santander provided information about how payments would be allocated, in a clear way, and in a timely way. As I've explained, the information provided by Santander is clear in stating the repayments will go towards arrears first, then any balances on the statement, and then anything not on the statement. This information is included in each of Mr W's statements, so I'm satisfied it is providing the information in a timely way, as opposed to relying solely on information available in the terms and conditions.

In my view, Santander's actions don't go against the rules in the FCA's handbook, given that Santander is still applying payments to the statement balance on a higher rate before those on a lower rate. In addition to this, any purchase balance not yet on the statement isn't at that point interest bearing. I don't think there's anything unfair or unreasonable about what it has done here.

I note Mr W says he was provided with misleading information from someone at Santander, when they said he should have waited a month before making the payment. If this is what was explained to Mr W then I agree they should have been clearer, in that they should have explained how the payment allocation works. But this information doesn't appear to have been provided to Mr W prior to him making the payment, and so better information wouldn't have changed the position of Mr W's account.

I do accept Mr W's comments in that he acted with the best of intentions – I don't doubt this. But I can only order Santander to put something right, where it has got something wrong. For the reasons I've explained above, I don't think Santander has incorrectly applied the payment to Mr W's account, and therefore I also don't think it has unfairly applied interest to his account for the purchase.

My final decision

For the reasons set out above, I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 25 December 2025.

Sophie Wilkinson
Ombudsman