

complaint

Mr W complains about a handling fee and interest Tesco Personal Finance Plc (trading as Tesco Bank) charged on his credit card. He says Tesco Bank shouldn't have treated a payment he made as a cash transaction.

background

Mr W used his credit card to make a payment of £5,014 to clear the final instalment for his son to buy a car. When he received his credit card statement a few weeks later, he found he'd been charged a cash transaction fee of £200.06 and an additional £70.64 in interest.

Tesco Bank told Mr W it had issued him a Notice of Variation (NoV) in April 2018 advising him of changes to his account's terms and conditions. The NoV stated it would be changing the types of transactions Tesco Bank would consider to be a cash transaction and the fees associated with these from 31 May 2018. The types of transactions now classed as cash included repaying borrowing. The fee had been applied correctly because the transaction was to a finance company.

Mr W brought his complaint to us. He said he didn't receive the NoV and disputed that the purchase of a car could be classed as a cash transaction.

Our investigator looked into Mr W's concerns, but didn't think his complaint should be upheld. She said she didn't think Tesco Bank had made an error when calculating the charge and interest for his transaction. She agreed with Tesco Bank listing the transaction as a cash transaction because it was made to a finance company so the transaction was correctly classified as repaying borrowing. She said she thought that on balance, Tesco Bank was likely to have sent the NoV. But even if Mr W didn't receive it, she didn't think it would have impacted his decision to pay for the car using his Tesco Bank credit card.

Mr W disagreed with our investigator's view. He said it was up to Tesco Bank to prove it had sent the NoV. He was completely unaware of the fee and that interest would accrue immediately unlike the standard use of the card. It was Tesco Bank's responsibility to make customers aware of this. And in his view, the transaction was a purchase.

As Mr W didn't agree with our investigator's opinion, his complaint has been passed to me for a decision.

my findings

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 decided not to uphold Mr W's complaint. I'll explain why.

Tesco Bank had a responsibility to treat Mr W fairly and to communicate with him in a way which was clear, fair and not misleading.

Tesco Bank says the NoV was sent to Mr W with his April 2018 statement by post. I can see that Mr W's April 2018 statement has the wording *"Notice of Variation. Please read the enclosed leaflet which gives you notice of changes being made to your Terms and Conditions with effect from 31 May 2018"*. Tesco Bank has sent us a screenshot to show Mr W was also receiving his statements online. It says Mr W would have received the NoV within the body of the email letting him know that his statement was available to view online.

On balance, I think Tesco Bank is likely to have let Mr W know about the changes to the terms and conditions of his credit agreement before they took place.

Tesco Bank has sent us a copy of the NoV dated April 2018 which sets out the key changes taking place. It lists number one as *"Cash withdrawals and transactions"* and says *"we are changing the types of transactions we classify as cash"*. The NoV gives further details of the changes to the agreement later on when it says the new wording is: *"A handling fee of 3.99% (no minimum charge) of the amount for cash transactions. Cash transactions are gambling transactions, wire or international money transfers, repaying borrowing (e.g. loans and mortgages), ..."*. Below this wording it says: *"The types of transactions classified as cash are listed above"*.

Mr W says he doesn't believe the payment he made should be classed as a cash transaction. But the payment was made to a car finance company and he's told us it was to pay the final instalment for his son's car purchase. So I'm satisfied that Mr W's transaction was for *"repaying borrowing"*. And I don't think Tesco Bank acted unfairly when it categorised the transaction as a cash transaction.

Mr W has also commented that Tesco Bank didn't make him aware that interest would accrue immediately, unlike the standard use of the card. I can see that *"interest charging information"* is showing on Mr W's credit card statements. It says *"you will not pay interest on new purchases if you pay your balance in full and on time. Otherwise, the period over which interest is charged is as follows: Purchases, Cash withdrawals, Cash transactions, Balance transfers and Money Transfers from the date debited to your account until repaid in full"*. So I think Tesco Bank did inform Mr W about how interest would be charged. While purchases might not attract interest if the full balance was paid on time, interest would be charged for cash transactions as soon as it was debited from Mr W's account.

I appreciate my answer will be disappointing for Mr W, who wasn't expecting these charges. But I think Tesco Bank gave Mr W clear information about the changes to the terms and conditions of the credit agreement, and it's acted within these terms and conditions. So I don't think Tesco Bank has done anything wrong.

my final decision

For the reasons I've explained, 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 2019.

Anne Muscroft
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