

complaint

Mr S complains that NewDay Ltd (trading as Opus) failed to explain that payments to his credit card were allocated to the balances on the previous month's statement.

background

Mr S has a credit card account with Opus. He had, over a period of time, taken advantage of various promotional interest rate offers for balance transfers and purchases. In December 2016 Mr S called Opus to query why a payment he made to his account in November had taken some of the balance off one of the promotional rates instead of clearing the balance he had remaining on the standard (higher) rate. He thought that the allocation of payment to the correct balance had gone wrong.

On the call Opus initially said that the payment would go towards the largest balance rather than the balance with the highest interest rate. Mr S disagreed with this. The Opus operator checked with his supervisor and reconfirmed that the payment should go towards the balance with the highest interest rate. Opus agreed to send through a breakdown of how the interest was applied to the account.

On 10 December Mr S made a transaction on his card of £2,355.08. He then subsequently made payments to the card of £2,360 on 17 December and £923.55 on 1 January 2017. He thought that the first payment would go towards the transaction made on 10 December as he understood from his online balance that this transaction was being charged at the highest rate. But he later found out through his statement that Opus had allocated the payment to one of his promotional rates and not to the highest rate. He complained to Opus.

In its final response Opus said that the transaction of £2,355.08 was on the standard retail plan (highest interest rate) and that part of the payment of £2,360 would have been allocated to that transaction. Mr S disputed that this had occurred and complained to this service.

Opus acknowledged that it had made an error in its final response but said that the payment had been applied correctly and as per the terms and conditions of the account. The investigator agreed that Opus had allocated the payments correctly. But he thought that Opus hadn't explained clearly to Mr S that payments are allocated according to the balance on the previous months' statements not the current month. He said that Opus should reconstruct Mr S' account as if Mr S had made the payment of £2,360 after the statement date of 11 January 2017.

Opus disagreed with this. It questioned why Mr S had not waited for the breakdown of interest from its head office before making the payment on 17 December. While they admitted they did give incorrect information on the call initially, they clarified the matter and provided correct information at the end of the call. Opus said that it didn't advise Mr S of the date on which to make a payment and didn't feel the information given to him on the call would've prompted him to make that payment. They asked for a final 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 find I agree with the investigator and for the same reasons.

Opus said that they applied the payments to the correct interest rates as per the order outlined in the terms and conditions. I've read through them and agree with the investigator that Opus has applied the interest rates correctly. It seems that the reason the payment was allocated to the balance with the lower interest rate is because it was allocated to the previous month's balance not the current month. So while the payment has been allocated to the correct balance it's for me to decide if the timing of how payments were allocated was clear to Mr S.

I've listened to the call that Mr S made to Opus in December. My general impression of the call is that the Opus operator didn't know what was wrong with the payments. He put Mr S on hold twice for a total of twelve and a half minutes only to confirm what Mr S already knew with respect to which interest rates took priority. In fact Mr S was very confident he knew how the payments were applied and quoted the correct line from his statement back to the operator. Mr S's theory about why payments had been allocated to the wrong balance was that a transaction in November had been delayed in registering to his account. And that this was the banking industry's fault. He appears to be left with the impression that the Opus operator was in agreement with this. And though I can't say for certain, my feeling is that the operator didn't understand the problem; he noticed two interest credits and admitted he didn't know what these were for. After seeking help from a supervisor the operator said Opus would send out a breakdown of interest to Mr S; this being a more detailed version of the statement.

But the operator didn't explain at this time how the payments were allocated with respect to payment cycle or the previous month's balance nor did he indicate that this might explain any discrepancy.

Our investigator concluded that had Opus explained fully how the payments were allocated to his account Mr S wouldn't have made the payment on 17 December; that he would've waited for the statement in January. And I agree with this. Opus responded by questioning why Mr S hadn't waited until he'd received the breakdown of interest before making a payment. I don't disagree that the operator eventually provided the correct details about the priority of interest rates. But he didn't explain that the timing of payments also influences which balance the payment is allocated to. And I think because Mr S possibly thought the operator agreed with him that any error was the bank's fault it's reasonable to say that he may not have made a connection between how the payments were allocated and the timing of the payments. It's possible that the breakdown of interest offered by Opus would've provided that clarity but I can't say for certain. And Mr S never received it.

Mr S does state at the end of the call that one of his promotional rates was due to expire within the next few days. And that he wanted to make sure payments he was intending to make would be deducted from the right balance. His concern here appears to be about the promotional rate expiring and not about the payment cycle. And it's reasonable to say that this could be the reason Mr S was keen to make a payment on 17 December. But the operator didn't raise the possibility that the reason for the allocation of payment to a particular balance was due to the payment cycle or that the payments would normally be allocated to the previous month's balance. I don't think it was clear to Mr S so I agree with the investigator that reconstructing the account is a reasonable way forward; putting him back in the position he would've been in had he made the payment after the January statement.

my final decision

My final decision is that NewDay Ltd should reconstruct the account as if Mr S had made the £2,360 payment after the statement date of 11 January 2017.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 October 2017.

Maxine Sutton
ombudsman