

The complaint

Mr C has complained that MBNA Limited has overcharged him interest, and not fully refunded him.

What happened

Mr C has a credit card account with MBNA. On 23 July 2023, he contacted MBNA to query why he was being charged interest. The agent said that the purchase balance had attracted interest, and that unless he cleared the balance, interest would be charged. The agent later confirmed that as Mr C had made a payment towards his account before the statement with the purchase was produced, the payment had been allocated to his outstanding balance at that time – which was a money transfer he'd made in the April, and which did not attract interest due to a promotional rate. However, it was agreed, as a gesture of goodwill, that the payment Mr C had made would be allocated to the purchase balance, and the interest he'd been charged would be refunded.

Mr C contacted MBNA again on 1 August, as he couldn't see that he'd received the refund. The agent explained that it would show on his next statement on 13 August. However, this statement was still going to contain interest of £48.73, which would be taken by direct debit, and so MBNA agreed to make a payment to Mr C's bank account for this amount – but also increase it to £80, to reflect that Mr C had needed to contact it again. It was agreed that MBNA would send Mr C a letter confirming this.

Mr C later brought his complaint to our service, as he explained he'd not received the agreed letter, and interest showed on his August statement.

One of our investigators looked into what had happened. He was satisfied that when Mr C had called MBNA on 23 July 2023, it had correctly advised him regarding the allocation of payments – which had been made in line with its terms and conditions. However, it had agreed to allocate the payment to the purchase balance and refund the interest, as a gesture of goodwill. It then made the payment of £80, which our investigator considered to be fair.

Our investigator could see that MBNA had issued Mr C the agreed letter on 2 August 2023. Mr M explained he hadn't received it, but our investigator was satisfied it had been issued, so thought it may have been lost in the post.

After Mr C's call to MBNA on 1 August, a further adjustment was made to the account. And, towards the end of this call, he was told no further interest would be charged. Our investigator was satisfied that Mr C's expectations were set, so it would be reasonable for MBNA to also refund the later interest of £21.39 to the credit card account. MBNA agreed to this, although it noted it had already technically been refunded as part of the earlier £48.73.

Mr C disagreed, so his complaint's been passed to me.

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 agree with the outcome reached by our investigator, and for the same reasons he gave.

I'm satisfied that MBNA correctly allocated the payment, but agreed to change it and refund interest as a gesture of goodwill, which it has done. Mr C had the expectation because of what he was told on the phone, that no further interest would appear, so it seems reasonable, on balance, that the £21.39 also be refunded, to reflect this expectation.

I'm aware he feels he should receive higher compensation, but I'm satisfied that MBNA's goodwill gestures – including the rounding up to £80 and now the further £21.39, are sufficient. Although compensation awards aren't an exact science, I think this fairly reflects what's happened and is in line with what our service would expect.

Putting things right

To put things right, MBNA should refund Mr C the further £21.39.

My final decision

It's my final decision to uphold this complaint. MBNA Limited must take the actions set out above, in the section entitled 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 September 2024.

Elspeth Wood
Ombudsman