

The complaint

Mr B complains that the balance transfer offer provided to him by Bank of Scotland plc trading as Halifax was misleading. He says he has incurred additional interest charges because of this. He wants the interest charges refunded along with additional compensation for the inconvenience caused by not being able to use his credit card for purchases while his balance transfer was in place.

What happened

Mr B explained that he carried out balance transfers on his Halifax credit card and then made purchases using the credit card. He says he pays the entire balance each month to avoid incurring interest. He says that the account terms and conditions state that items attracting the highest interest rate are repaid first. But he says this isn't the case when there is a balance transfer on the account.

Mr B says that even though the interest on any purchases would be higher than the balance transfer rate the payments he has made (intending to pay for the purchases) has been applied to the balance transfer. This has resulted in him incurring interest on his purchases that wouldn't have otherwise happened. Mr B says that the balance transfer offer is misleading as it doesn't explain that interest will be payable on purchases even if a repayment for these is made on the same day. He says that he wouldn't have requested the balance transfer had it been properly described to him.

Halifax issued a final response to Mr B's complaint dated 17 June 2023. It said that the payments made pay off balances at higher interest rates before those at lower interest rates. If the full balance isn't paid by the due date, then interest will accrue on the remaining balance. It said if a 0% transfer is made and the customer still wishes to make purchases on the credit card, to keep these interest free then the full balance (including the amount of the transfer) would need to be paid each month otherwise interest would be charged on the purchases (assuming there wasn't a 0% promotional rate on purchases). It said that the interest on Mr B's account had been charged correctly and so this wouldn't be refunded.

Mr B said that Halifax's final response failed to address the points he had raised being that he wasn't advised at the time of the balance transfer that this would have an impact if he chose to use the credit card for purchases, being that the purchases would attract interest. Mr B wants the cost of the balance transfer reimbursed along with the cost of interest charges on purchases made while the balance transfer (and previous balance transfers) was in place.

Our investigator didn't uphold Mr B's complaint. She didn't agree with Mr B that the account terms and conditions didn't make it clear that a balance transfer would affect how payments would be allocated and noted the following terms:

A4. How interest is worked out

We calculate interest daily based on the total amount you owe. We add together all the daily interest amounts in each statement period and add the total to your balance

on your statement date.

There are three exceptions to this rule:

- *Annual fees: We do not charge interest on annual fees (if your card has an annual fee).*
- *Purchases: We do not charge interest on purchases made during your latest statement period if you pay off your full balance (including any balance transfers and money transfers) by the payment due date and you also paid your previous month's balance in full by the due date.*
- *Default charges: We do not charge interest on default charges for the first 28 days after the day we give you notice (usually in your statement) that they are payable. After that we charge simple interest, so we will not charge interest on interest.*

She thought the terms were clear that interest wouldn't be charged on purchases only if the full balance was paid off including the balance transfer. She also noted that the terms set out that payments go towards the oldest balance first meaning that if the first transaction on the account was the balance transfer all future payments would go towards this until it had been repaid. Based on this, our investigator didn't think that Halifax had treated Mr B unfairly.

Mr B didn't agree with our investigator's view. He said that the terms set out the payments were applied to the balance with the highest interest rate first, not the oldest, and that if the investigator had misinterpreted the terms, then these wouldn't be understood by the average customer. Mr B said that even though the terms stated the highest interest rate balance would be repaid first, if there was a balance transfer in place, this only happened once the statement had been generated and so there was an interest charge on purchases up to that time. He said this meant there was an additional cost to the balance transfer and so the offer of a 0% balance transfer was misleading. Mr B said the information provided by Halifax at the time of the balance transfer needed to be clear so customers weren't misled into thinking their purchases would be repaid first.

Our investigator acknowledged the comments Mr B had raised and that he was right that payments were applied to purchases but only once they appeared on the statement the following month unless the balance transfer had been paid off. However, she still thought the terms were clear that purchases didn't attract interest as long as the full statement balance was paid off including any balance and money transfers.

Mr B didn't accept it was reasonable that customers would need to read all the terms and conditions before taking on a balance transfer to understand the full implications. He said the information wasn't clear about the balance transfer needing to be paid off in full to prevent interest being charged on purchases. He thought Halifax was being unfair by offering a benefit by way of a balance transfer which meant the customer then had to give up their right to an interest free period on purchases.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

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.

Mr B took out a balance transfer online and I note his comments that this was a straightforward process in which he just needed to decide the amount and confirm that he wished to go ahead. He feels he wasn't given the information needed to make a fully informed decision at the time of his balance transfer request and I can see this issue has caused him a great deal of upset and frustration. But I can only uphold this complaint if I am satisfied that Halifax did something wrong or treated Mr B unfairly in regard to his account.

In assessing Mr B's complaint, I have considered what the account terms and conditions say. I appreciate Mr B's comments about these, and I will address his comment about information provided when requesting the balance transfer later, but I think it important given Mr B's comment about how payments were allocated to assess whether this has happened on his account in line with the terms and conditions.

The terms set out that payments will reduce the amount owed in the order of:

- *Any overdue amounts from previous statements; then*
- *The remaining balance on your statements; then*
- *Any recent transactions not yet shown on your statement.*

So, any recent purchases made by Mr B would fall into the final category and his payments would first be allocated to the remaining balance on his account.

The account terms set out that '*We do not charge interest on purchases made during your latest statement period if you pay off your full balance (including any balance transfers and money transfers) by the payment due date and you also paid your previous month's balance in full by the due date.*'

Taking the above into account, and based on the information I have seen, I do not find I have evidence to say that Mr B has been charged interest incorrectly on his account or is being treated unfairly in regard to how the interest is being charged.

I have considered Mr B's comment that by having a balance transfer on his account this meant that rather than benefiting from an interest free period on purchases his purchases were charged interest from purchase date until the statement had been produced and the payment then made. He said this should be explained as part of the balance transfer process.

Halifax has provided details of the information provided when a customer undertakes an online transfer. This shows that as part of the customer journey a box titled 'Important information' is shown and this has a section titled 'If you buy something with your card' and explains that unless the customer has a 0% promotional rate on purchases interest will be charged if the entire balance isn't paid in full each month and that the balance includes any balance or money transfers. So, while I can understand why Mr B is upset that he has been charged interest on his card purchases after taking out a balance transfer, I do not find that I can say Halifax has done anything wrong by doing this and I find he was provided with the information he needed about this when he requested the balance transfer. Because of this I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or

reject my decision before 18 June 2024.

Jane Archer
Ombudsman