

The complaint

Mr P complains that National Westminster Bank Plc (“NWB”) charged him interest on a balance transfer and failed to advise him how payments made by him going forwards would be allocated between the balance transfer and purchases made on the card.

What happened

Mr P completed a balance transfer from an external credit card to his NWB credit card to take advantage of a promotional 0% interest rate for 18 months with a 3% transfer fee.

Mr P raised a complaint with NWB following the balance transfer. He was unhappy that he’d been charged interest on the account balance, despite having paid off the purchase balance in full on his statement dated 6 December 2023.

NWB didn’t uphold the complaint. It issued a final response on 18 December 2023 and said the interest charged on Mr P’s statement dated 6 December 2023 was unrelated to the balance transfer but was attributable to the purchase balance. NWB said although Mr P had paid his purchase balance in full, the reason that he had been charged purchase interest of £9.87 was as a result of the credit adjustment made on the card on 20 November 2023 by the retail disputes team. NWB said that the transaction date of the adjustment was 29 September 2023, and the posting date was 20 November 2023, meaning that the payment was a retroactive credit adjustment. NWB said that because an adjustment was made, its systems considered the card not to have been fully paid on the previous statements and applied interest accordingly. In relation to Mr P’s complaint about the lack of specific advice about interest charges as part of the application for the balance transfer, NWB said that the balance transfer wasn’t the reason that interest was applied to the card.

Mr P wasn’t happy with the response and brought his complaint to this service.

Our investigator didn’t uphold the complaint. He said that he appreciated that Mr P thought that the way payments were allocated should’ve been highlighted to him during the balance transfer process but said that because there was no change to his normal account terms in relation to the way in which payments were allocated there was no need for NWB to bring this to his attention during the balance transfer process. The investigator also said that the interest incurred by Mr P wasn’t related to how he was making his payments but was in relation to a retail dispute which resulted in a credit adjustment.

Mr P didn’t agree. He said that NWB hadn’t explained that he would be required to use his credit card differently if he completed a balance transfer.

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.

I appreciate that Mr P has concerns about the way in which payments are allocated to his account following his balance transfer. He’s said that he wasn’t provided with information

about how payments would be allocated when he applied for the balance transfer.

The way in which payments are allocated to the account are dealt with in the terms and conditions of the agreement. Mr P agreed to these terms and conditions when he took out the credit card. The balance transfer hasn't changed these terms and conditions.

I've reviewed the terms and conditions. These state that:

"You cannot choose how a payment is applied to your account. We apply any payments you make to your account in the following order:

- *To pay your contractual minimum payment under section 2 of this agreement*
- *To pay any instalment plan fees*
- *To pay any monthly instalment plan repayments (if you have more than one plan, we'll first pay off the one which ends soonest)*
- *To reduce sums shown on your most recent monthly statement (excluding instalment plans) according to their interest rates, with the highest rate paid first*
- *To reduce the remainder of the outstanding balance on any instalment plan on the account*
- *Finally, if any payment exceeds your most recent monthly statement balance, the excess will then be applied to reduce sums charged to your account but not yet shown on any monthly statement. This is also done according to their interest rates with the highest rate paid first.*

As I've said above, Mr P agreed to these terms and conditions when he took out the card. The information about application of payments is also set out on Mr P's monthly statements. So, I'm satisfied that he was aware – or ought to have been aware – of the terms and conditions relating to payments. I don't think it was necessary for NWB to repeat this information when Mr P applied for the balance transfer. I'm not persuaded that NWB has treated Mr P unfairly or unreasonably.

I can see that Mr P was unhappy about the interest that was applied to his account. This interest wasn't related to the balance transfer but was instead related to a retail dispute which resulted in a credit adjustment on the account. I can see that NWB refunded the interest as a gesture of goodwill and waived interest for six months whilst the issues with the retail dispute were being resolved. I'm satisfied that NWB has done enough to resolve this aspect of Mr P's complaint, so I won't be asking them to do anything further.

Based on everything I've seen, I'm unable to say that NWB has made an error or treated Mr P unfairly. For the reasons I've explained, I'm unable to uphold the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 18 June 2024.

Emma Davy

Ombudsman