

The complaint

Mr R complains Santander UK Plc charged him interest on a balance transfer.

What happened

Mr R transferred a balance from a credit card to his Santander credit card. This transfer was to take advantage of a 0% balance transfer deal on his Santander card.

Mr R made some purchases on the Santander card but paid them off very quickly. Mr R was then charged interest, even though there was still time on his 0% balance transfer deal.

Mr R complained to Santander, and it sent a response to say Mr R was paying the purchases off too quickly and he needed to wait for them to appear on his statement.

Santander sent a further response to say it would allocate payments to Mr R's statement balances that accrue interest first, then other balances. Santander didn't think it had done anything wrong and wouldn't refund the interest Mr R had been charged.

Unhappy with this response, Mr R brought his complaint to this service. An investigator looked into things and didn't think Mr R's complaint should be upheld.

The investigator thought Santander had applied the payments Mr R made to the credit card in line with its terms and conditions. The investigator said the purchases Mr R made weren't showing on the statement at the point Mr R paid money to the credit card.

This meant Mr R's payments went to his balance transfer amount, and then interest was charged because Mr R hadn't cleared his purchase balance. The investigator said Santander made an offer to refund some of the interest, but Mr R turned this down.

Mr R responded to say he was never offered anything. Mr R also said his mobile application should be showing the correct position of his credit card. Mr R said the transactions were showing but his payments weren't allocated to the card transactions.

Mr R felt the credit card wasn't really 0% if he was charged interest.

The investigator sent Mr R copies of the call where he'd turned down Santander's offer.

Mr R asked for an ombudsman to decide things.

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 can see what Mr R was trying to do here, and I can understand his frustration. Mr R knew

there was a 0% balance transfer on the credit card, so he was looking to clear any other spending on the card to ensure he wasn't charged interest.

But I think Mr R was paying too early.

When Mr R used his card for retail purchases they'll show on his mobile application as having been made. But this doesn't mean the purchases need to be paid off at that time.

Credit cards have monthly statements, and these show when and what Mr R needed to pay. The mobile application shows the purchases, but these aren't statements.

Mr R's credit card statements are produced around the 5th of each month, to be paid 26 days later. Mr R's July 2022 statement was produced on 6 July. This statement shows spending through June 2022 and some payments onto the card.

But these payments to the card will go towards June 2022's statement, not July's. July's statement says Mr R has to pay a certain amount before 1 August 2022. And these payments would need to be made after 6 July, the date the statement was produced.

Mr R had already paid towards the credit card, just too early to catch July's statement.

It appears Mr R factored in the payments he made in June, to cover some of June's purchases, when he paid in July. This meant he underpaid June's purchases, and those purchases were charged interest.

Mr R's statements show the balance transfer amount, and the interest charged on it, it was zero. Any interest Mr R was charged is, I think, for the purchases he made but didn't pay off in full in the month they were due.

To avoid interest on the purchases Mr R would need to wait for July's statement to be produced, so after 6 July, and then pay all the retail purchase he made before the payment due date, 1 August.

By paying early, Santander allocated his payments towards any purchases accruing interest, then Mr R's balance transfer balance, but not the recent purchases. This is laid out in Santander's terms.

The terms say, where balances on the credit card are being charged the same interest, payments will go to purchases first, then balance transfers. But the terms then state remaining payments will go towards anything not yet shown on a statement.

Mr R's purchases weren't being charged interest because they weren't showing on a statement yet. And because they weren't showing on a statement, they'd be the last thing to be paid off when Mr R made, effectively, overpayments to his credit card.

Where Mr R thought he was paying additional payments to card purchases in the first month he made transactions, he was actually paying to his balance transfer amount.

Although subsequent payments would have gone to previous month's purchases, it seems Mr R never quite back to a point where he'd cleared all the card transactions in a single statement period.

This was then compounded through the following months as Mr R made further payments to the credit card. These payments would go towards any purchases accruing interest from the

previous month, and then Mr R's balance transfer balance if applicable.

None of Mr R's additional payments would go towards purchases he made but hadn't shown up on a statement yet. I realise Mr R wanted to pay off his card purchases as soon as they showed, in the hope this would mean no interest, but it didn't work out that way.

I don't think Santander's charged Mr R interest in error. I think Santander's charged interest on purchases Mr R didn't pay off in full.

I realise this can be difficult to explain, and I've listened to the calls Mr R had with Santander. Some of the explanations were a little unclear, but I think overall the message was clear, Mr R was paying off his purchases too early.

In one of the calls Santander offers to refund Mr R one month's interest, as a gesture of goodwill, but he declines this offer. I can understand why Mr R declined the offer, he felt all the interest he'd been charged was unfair.

Santander's confirmed this offer of one month's interest, £57.39, is still open. If Mr R wants to accept this offer, he can contact Santander and ask it to pay it to him.

I don't think Santander needs to refund the interest it charged on Mr R's credit card, I think it charged this fairly and in line with the terms and conditions of the account.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 19 September 2023.

Chris Russ
Ombudsman