

## **The complaint**

Miss K complains about being charged interest on a credit card she has with Sainsbury's Bank Plc ('SB').

## **What happened**

The background facts of this case are well known to the parties – so I will only deal with them briefly here.

Miss K purchased airline tickets on her SB credit card. She says that she paid off the balance for the tickets to her card account shortly after but was still charged interest by Sainsbury's on this amount even though she had acted promptly. She says she only found out she was paying interest on the purchase months later and has been overcharged by around £500.

SB did not agree that it had done anything wrong. It explained when Miss K made the payment the airline tickets had not yet been billed to her statement– so the payment was used to reduce the amount of an existing balance transfer in accordance with the terms of her account.

Our investigator thought SB had acted fairly and within its terms and conditions. But didn't think Miss K had suffered a loss here in any event.

Miss K does not agree and has asked for an ombudsman to look at things for a final 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.

I have considered the information the parties have submitted – but I will only comment on the matters I think are key here. This is not intended as a discourtesy but reflects my role in resolving disputes informally.

*The actions of SB have not caused Miss K a loss in any event*

I will later discuss if SB made an error in the way it allocated the payment Miss K made or the way it communicated to Miss K about what it would do in this situation. However, I think it is important to point out that I am not persuaded this makes a difference here in any event. I will explain why. I have attempted to do so as simply as possible following Miss K's request to our investigator for an alternative explanation.

Just prior to when Miss K bought the airline tickets in September 2022 on her card her statement balance was £3710.48 which appears to be from a balance transfer. This balance transfer at that point was attracting a yearly interest rate of 18.32% (variable). This I will refer to as 'Amount A'.

The airline tickets Miss K bought at the end of September 2022 cost a total of £1,705.38 – this was classed as a ‘purchase’ and attracted the same interest rate as the balance transfer (18.32%). I will refer to this as ‘Amount B’.

When Miss K paid the £2,000 to her card on 28 September 2022 it was used to pay off a chunk of Amount A – which meant that Miss K did not pay 18.32% going forward on £2,000 of Amount A (which she otherwise would have). If the amount had been applied to Amount B instead Miss K would be no better off because although Amount B would have been paid off (and a little bit of Amount A) Amount A would not have been reduced by £2,000.

Essentially it might be easier to think of Amount A and Amount B as one total balance of £5,415.86 attracting 18.32% interest. The £2,000 payment was used to reduce the total balance going forward – and however you apportion that payment it doesn’t save Miss K more interest than she otherwise saved here by making the payment.

Miss K recently says she does not have an issue with interest being charged on the balance transfer (Amount A) – but looking at her comments on the complaint form she sent to this service I think the issue here is that (at least initially) Miss K thought she had been disadvantaged because she thought the balance transfer (Amount A) did not attract interest at the time she made the £2,000 payment to the card. So, if that were true, it would have made sense for Miss K to want any payments to pay down Amount B instead. However, while the balance transfer was initially 0% interest when the card was opened – this was a 29 month promotion which expired in April 2022 (and was clearly set out on previous statements). So there was apparently no advantage in having the £2,000 applied to Amount B in September 2022.

So in summary, even if I did accept SB had made a mistake (which I don’t – and I explain why below) Miss K has not been disadvantaged in any event because she was not overcharged interest.

Did SB make a mistake here?

I have looked at the terms and conditions of the product and from this I can see the correct process in respect of payments to the card is as follows:

- Payments will be allocated firstly to the amount shown on the monthly billing statement; and
- those payments will be allocated in a particular order, firstly to outstanding cash advances, then purchases, money transfers, balance transfers and default sums; and
- only if payment exceeds the amount shown on the monthly billing statement will it then be used to pay off transactions that have not yet appeared on the statement.

Looking at what happened here it appears when Miss K made her payment of £2,000 on 28 September 2022 the relevant credit card statement was that issued on 22 September 2022 with a balance only consisting of the balance transfer (Amount A). Amount B (for the payments to the airline) was yet to be statemented and subsequently appeared on the October 2022 statement. Therefore, I don’t consider SB made an error by applying Miss K’s payment to Amount A in the first instance. I also consider this process would’ve been relatively clear to Miss K at the time from the information in the terms and conditions and on the statements.

I note Miss K has referred to an extract from SB terms which says interest won’t be charged on purchases if a balance is paid in full and on time each month. However, while I accept

she has been charged interest on her remaining balance (which includes Amount B) going forward this is because she still had an outstanding balance due after her payment of £2,000. So what SB did was not incompatible with its terms. As I have indicated earlier, she has still not been charged interest on £2,000 of her balance since the September 2022 payment.

In conclusion, I don't consider that SB made a mistake here in the way it applied the payment she made or how it informed her about this. However, even if it had done (and for reasons I initially explained) I don't consider this has caused her a financial loss in any event. As a result I don't consider it fair and reasonable to uphold this complaint.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 22 December 2023.

Mark Lancod  
**Ombudsman**