

The complaint

Mr E complains about the way in which MBNA Limited has allocated payments towards his outstanding credit card balance.

What happened

Mr E holds a credit card with MBNA. He made two balance transfers to the card. The first balance transfer was a 0% transfer made in December 2021. The promotional period expires in December 2023.

The second balance transfer has a promotional period which expires in September 2023.

Mr E complained to MBNA because he was unhappy that it had applied payments he'd made to the balance transfer which expires in December 2023 rather than to the balance transfer which expires in September 2023. Mr E wanted his payments applied to the balance transfer which expires first.

MBNA issued a final response in which it didn't uphold the complaint. It said it applied payments to reduce the amount owed in the following order:

- any overdue amounts from previous statements

- the remaining balance on the statement

Any recent transactions not yet shown on the statement

MBNA said it applied payments to pay off balances charged at the highest rate of interest first, and that if there was more than one type of balance at the same interest rate, the payments would be applied to pay off the oldest balance first.

Mr E was unhappy with MBNA's response and brought his complaint to this service.

Our investigator didn't uphold the complaint. They said the terms and conditions of the account stated that if the interest rate is the same then payments would be applied to the oldest balance first. The investigator said that MBNA had applied payment to the balance transfer which ended in December 2023 first, because it was the oldest balance and that this was in line with the terms and conditions.

Mr E didn't agree. He said that the law required debts which were due first to be paid off first.

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've reviewed the terms and conditions of the account and I've looked at Mr E's credit card statements.

The terms and conditions of the account – which Mr E agreed to when he applied for the account – state that if the interest rate is the same then payments will be applied to the oldest balance first.

In this case, both interest rates are the same. The oldest balance is the balance transfer taken out in December 2022 with the promotional period ending in December 2023.

Based on what I've seen, MBNA has applied payments to the balance transfer ending in December 2023 prior to applying them to the balance transfer ending in September 2023. So, I'm satisfied that MBNA has applied payments to the oldest balance first in line with the terms and conditions of the account.

Taking everything into account, I'm unable to say that MBNA has made an error or applied the terms and conditions of the account unfairly.

I understand that Mr E believes that the terms and conditions of the account are contrary to law. This service can't make legal findings. I'm only able to look at what the contractual position between the parties is. And in this case, the contractual position, as set out in the terms and conditions, which Mr E agreed to, is that where the interest rate is the same, payments are applied to the oldest balance first.

For the reasons I've given 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 E to accept or reject my decision before 30 January 2024.

Emma Davy
Ombudsman