

The complaint

Mr D complains that Sainsbury's Bank Plc charged him interest on his credit card even though he'd paid it off in full.

What happened

Mr D says he cleared the balance of his credit card before its due date but was subsequently charged a further £195.89 in interest. He says Sainsbury's explained it was "*legacy interest*" but offered him £25 compensation for not making this clear to him. Mr D says this caused him considerable stress and depression, but he paid the interest even though he didn't agree with it. He says he wants the money refunded, along with an apology and compensation.

Sainsbury's explained that interest is charged over two consecutive statements. It said that the balance of Mr D's statement dated 18 May 2022 wasn't paid in full and, although the statement dated 18 June 2022 was paid in full, interest had accrued from 18 June 2022 until 12 July 2022, when Mr D cleared the balance. However, it accepted it gave Mr D incorrect information about further interest charges and offered him £25 compensation.

Our investigator was satisfied that the interest had been correctly applied and found that the compensation offered for the incorrect information was fair and reasonable.

Mr D responded to say, in summary, that Sainsbury's has never explained why he was charged interest when he'd repaid the card in full. He adds that it must accept it did something wrong as it offered him compensation.

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 D's May statement had a closing balance of £11,032.32, towards which he paid £280.55 on 6 June 2022. Sainsbury's then charged interest on this outstanding balance up to 17 June 2022 of £241.48. This balance continued to accrue interest from 18 June 2022, until Mr D cleared the statement balance on 13 July 2022. It is this accrued interest that was subsequently added to Mr D's account on 18 July 2022 as it was not included in the statement balance Mr D repaid.

I have looked at the account's terms and conditions and I'm satisfied that the interest was correctly applied. So, I don't find Sainsbury's did anything wrong in charging the interest in the way that it did.

That said, I have also listened to the calls Mr D had with the customer adviser, and, subsequently, the complaints team. Mr D was told the charge was for “*trailing interest*”, but I don’t consider this was adequately explained to him. He was also told, incorrectly, to expect further interest charges, and I can understand why this was unacceptable to Mr D, especially given he’d taken out a loan to make the large repayment.

However, Sainsbury’s has accepted it gave Mr D incorrect information during this call and has offered him £25 compensation for this. In all the circumstances, I find this offer to be fair and reasonable and I don’t consider Sainsbury’s needs to do anything further.

My final decision

My decision is that Sainsbury’s Bank Plc should pay Mr D £25 as it has offered to do.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr D to accept or reject my decision before 27 September 2023.

Amanda Williams
Ombudsman