

The complaint

Mr C says that Creation Financial Services Limited (“Creation”) incorrectly treated a transaction on his card as a cash related transaction and applied interest which he shouldn’t have been charged.

What happened

Mr C has a credit card account with Creation. In May 2020, he used the card for an online transaction with a business which I’ll call R. Creation treated the transaction as a cash related transaction and charged interest on it. Mr C didn’t think the transaction should have been treated in this way, so he complained and asked Creation to refund the interest.

Creation didn’t uphold the complaint. It said it had applied the interest in line with the terms and conditions of Mr C’s account. Mr C wasn’t happy with Creation’s response, so he brought his complaint to this service. He says that his payment shouldn’t be treated as a cash related transaction and that Creation’s terms and conditions don’t define this adequately. He doesn’t think it’s fair for Creation to rely on the terms and conditions which were sent to him around two years ago. He’s also unhappy that, even though he paid off his May statement balance in full, he was charged further interest on the transaction in his June statement.

Our investigator didn’t think Creation needed to do anything here. But Mr C didn’t agree and asked for his complaint to be reviewed by an ombudsman. He wants Creation to refund the interest he’s paid and pay him compensation for the time he’s spent dealing with this complaint.

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.

Having done so, I’m not going to uphold this complaint. I’ll explain why.

Creation’s terms and conditions define a Cash Advance as “*an advance of monies made to you or on your behalf, or to an Additional Cardholder or on the Additional Cardholder’s behalf, including but not limited to cash, foreign currency, travellers’ cheques or cash related transactions*”.

Mr C has an account with R. He has explained that, when he made the payment to R using his Creation credit card, he was topping up his account with R. He was then able to make purchases using the funds from his account with R.

On that basis, I think it was reasonable for Creation to treat the transaction as a Cash Advance. Mr C was using the Creation credit card as a way of putting funds into the account he holds with R. I think it’s fair to describe that as an advance of monies to Mr C. So I find that the nature of Mr C’s transaction means it falls within the definition of a Cash Advance.

This is supported by information on Mr C's statements. The statements contain a page of information about certain aspects of his account such as balance transfers and online account management. It includes a section about Cash Advances, which it says are subject to Mr C's account terms and conditions. There are two bullet points in the Cash Advance section of the page. One says that Mr C can use his card to withdraw cash from ATMs. The other says that he can transfer cash directly into his bank or Building Society account. It's apparent from this that Creation views both types of transactions as Cash Advances. They're examples of advances of monies which will be treated as a Cash Advance.

It's clear from this that, if Mr C were to use his credit card to put money into a bank or Building Society account, Creation would view this as a Cash Advance. I think his use of the card to put funds into his account with R is analogous to topping up a bank or Building Society account. So I think it was reasonable for Creation to treat it as a Cash Advance.

I note that the amount of the payment to R exceeded Mr C's cash limit. Creation says that, if a transaction is flagged by the card scheme as a purchase (as opposed to a cash transaction), it doesn't trigger the cash limit parameter which is programmed into Creation's system. It says it's likely that's why this transaction was able to go through, even though it exceeded the cash limit. I think that's a reasonable explanation.

This leads on to the issue of the codes used by the card scheme when processing the transaction. Mr C says that the code used in this case was the code used to indicate a purchase, as opposed to a cash withdrawal or cash advance. Creation says it can't now look at records as far back as May 2020 to see which code was used, but it accepts it's likely the "purchase" code was used by the card scheme here. Mr C says that use of this code shows that the transaction wasn't cash related. He says the card scheme would have had to use a different code in order for Creation to treat the transaction as a Cash Advance.

I find that the way Creation treats a transaction is a matter for Creation to decide, in line with its terms and conditions. While the codes used are likely to be indicative of how the transaction will be treated in many cases, I don't find that use of a particular code by a third party obliges Creation to treat the transaction in that way. I think it was reasonable for Creation to treat the transaction as a Cash Advance in the circumstances here, even though the card scheme categorised it differently.

I understand that Mr C had used his card to make payments to R before May 2020 and that those transactions weren't treated as Cash Advances. Creation says that those transactions weren't picked up by its system, which was a mistake. But it has confirmed that it won't apply any retrospective interest in respect of those transactions, which I think is fair.

As the transaction in May was identified as a Cash Advance, Creation was entitled to charge interest on it in line with the terms and conditions of Mr C's account. They provide that interest on Cash Advances is charged from the day of the transaction until repayment is made in full. Unlike Standard Purchases (as defined in the terms and conditions), there is no interest free period on Cash Advances.

Mr C completed the transaction with R on 1 May 2020, so interest started accruing on that date. His statement dated 25 May set out the interest on the Cash Advance calculated up to 21 May. Payment was due by 10 June and Mr C settled the balance in full on 1 June. So, under the terms and conditions, Mr C had to pay interest on the transaction from 1 May (the date of the transaction) to 1 June (the date it was repaid in full). By settling the May statement balance, he had paid the interest up to 21 May. But interest continued to accrue in the period from 22 May to 1 June. This was included on Mr C's June statement. I'm satisfied that Creation applied its terms and conditions correctly here.

I'm also satisfied that Mr C was bound by the terms and conditions, which he agreed to by opening and continuing to use the account. I realise that he hadn't looked at them recently. But that doesn't mean they don't apply or that Creation can't rely on them. And much of the information which is relevant here is summarised on Mr C's statements.

I know Mr C feels strongly about his complaint and will find my decision disappointing. But I don't think Creation has made a mistake or acted unfairly here. So, I'm not going to ask it to do anything.

My final decision

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 December 2020.

Katy Kidd
Ombudsman