

The complaint

Mr H complains about fees applied to his account by Creation Financial Services Limited (“Creation”).

What happened

In February 2020, Mr H used his Creation credit card to make a purchase while he was abroad. He checked his account the following day and, seeing that the payment had been applied, he cleared the balance. But, shortly afterwards, the amount debited for the purchase increased by around £170. Mr H paid this off straight away. But he didn’t know why the amount had increased and, based on the exchange rate at the time, he thought he had been overcharged. He called Creation to query it on 28 February, but the call handler couldn’t tell him what the extra amount was for. She said she would ask the relevant department to look into it and get back to Mr H.

Mr H told the agent that he was about to make another purchase on the card for an amount close to the credit limit. He was concerned about the same thing happening again, as he didn’t want the card to be declined.

Mr H then made the second purchase using the card. The amount charged to his card was around £8,200 initially. But, shortly afterwards, this increased to more than £8,400, which took Mr H over his credit limit. Creation applied an over-limit fee of £12.

The additional charges on Mr H’s account were foreign currency conversion fees of 2.99% which Creation had applied to each purchase. Mr H complained to Creation and asked them to refund the fees. But they said the fees were outlined in the terms and conditions of Mr H’s account, so they didn’t uphold the complaint. Mr H wasn’t happy with Creation’s response and brought his complaint to this service. He accepts the fee for the first transaction. But he says that the second fee is unfair because Creation should have made him aware of it when he called about the first purchase. He doesn’t think it’s fair that this took him over his credit limit, and he says it had a negative impact on his credit file.

Our investigator didn’t think Creation had acted fairly. He recommended that they refund the over-limit fee and half of the conversion fee applied to the transaction on 28 February. But Creation didn’t accept our investigator’s recommendation, so the complaint was passed to me for a decision.

I issued a provisional decision on 23 November 2020. Mr H accepted my provisional findings and Creation said they had no further points which they wanted me to consider.

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 haven't seen anything which changes my mind about the appropriate outcome here, so I'm going to uphold this complaint. I've set out my reasons below.

The terms and conditions of Mr H's account say that he agrees to pay on demand a foreign currency conversion fee of 2.99% and a fee of £12 for exceeding his credit limit. Mr H used his card to make purchases in a foreign currency. So the terms and conditions allow Creation to apply the conversion fee. As the second purchase together with the conversion fee exceeded Mr H's credit limit, Creation were entitled to charge the over-limit fee. But, in this case, I don't think reliance on the terms and conditions alone leads to a fair outcome. I'll explain why.

When Mr H called Creation after the first purchase, he told the call handler which country he was in and the currency of the purchase. I think it should have been apparent to the call handler that a currency conversion fee had been applied. But the call handler didn't realise, and didn't seem to be aware that the additional charge might have been a fee. I think it's reasonable to expect someone in that role to have had access to the relevant information so that they could tell Mr H that a fee had been added to his account. In circumstances where Creation's agent didn't know what the charge was and couldn't access or interpret the information which explained it, I don't think it's reasonable for Creation to expect Mr H to have known.

This is particularly the case in relation to the fee applied to the second purchase. Mr H made Creation aware that he was planning to make the purchase, and the nature of it meant it had to be paid for that day. He was concerned about going over his credit limit. I think Mr H was acting responsibly by trying to find out what the additional charge was on the first purchase and whether it would affect his second purchase. Creation should have been able to give him an accurate answer. But the call handler couldn't tell Mr H why the amount of his payment had increased and couldn't say when someone from the relevant department would call him back.

Having listened to the call, Mr H was clearly under the impression that Creation had made a mistake with the exchange rate. The conversion fees aren't shown on Mr H's statement as separate items or labelled as fees. Rather, they are added to the amount of the purchase. So, from Mr H's point of view, it appeared that the amount he had paid for the purchase had increased. The call handler didn't mention the conversion fee. At the end of the call, she said she wasn't trained in working out exchange rates and that was why she'd asked the relevant department to look into it and work out the actual amount. She gave no indication that the additional charge could be anything other than an issue with the exchange rate. In the circumstances, I don't think it was unreasonable that Mr H went ahead with the second purchase using the card.

I'm satisfied that Mr H would have made the purchase using another payment method if he'd known a fee would apply and cause him to exceed his credit limit. That's because he had other funds available at the time and says he only used the card to earn points. But Creation gave him unclear information. They should have been able to tell him that a conversion fee had been applied. But the call handler didn't know that and didn't mention fees at all. In the circumstances, I don't think it's reasonable to expect Mr H to have known that a fee would apply to the second transaction. So he went ahead and used the card again, causing him to incur a further fee and exceed his credit limit, which he says had a negative effect on his credit file. If Creation had given Mr H the correct information, these negative consequences wouldn't have arisen. So I don't think it's fair that Mr H bears all of the responsibility for them.

Putting things right

I think the fair outcome here is for Creation to refund to Mr H half of the foreign currency conversion fee which was applied to the purchase on 28 February 2020 as well as the over-limit fee of £12. And Creation should ask the credit reference agencies to remove any associated adverse entries from Mr H's credit file.

My final decision

For the reasons above, I uphold this complaint. My final decision is that Creation Financial Services Limited must:

- refund half of the foreign currency conversion fee which was applied to Mr H's purchase on 28 February 2020;
- refund the over-limit fee of £12; and
- ask the credit reference agencies to remove any associated adverse entries from Mr H's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 January 2021.

Katy Kidd
Ombudsman