

The complaint

Mrs C complains about interest applied to her credit card account by Creation Financial Services Limited (“Creation”).

What happened

Mrs C has a credit card account with Creation. She receives her monthly statements by post. She says she has had the account for many years and that she always clears the balance in full each month. But Mrs C says that she didn’t receive her statement in December 2019. She didn’t notice at the time, as her personal circumstances meant she was focused on other things. But when she received her January statement, she saw that interest had been applied as well as a late payment fee of £12.

When Mrs C contacted Creation, they agreed to remove the late payment fee as a goodwill gesture. But they said that the interest would stand. Mrs C wasn’t happy with that and raised a complaint with Creation on 13 January 2020, disputing the interest. She says that Creation told her during this call that interest would be put on hold while the complaint was investigated.

Mrs C’s balance at that time was made up of one transaction plus the interest on it. After her call with Creation, she paid off the transaction amount in full but not the interest, which she was disputing and had asked to be refunded.

When Mrs C received her February statement, she saw that further interest had been applied. She called Creation again and the call handler said that he would add this to the complaint. Creation responded to the complaint on 4 March 2020. They said that the interest had been applied correctly so they couldn’t agree to remove it. Mrs C subsequently paid the interest, to stop any further charges accruing. But she wasn’t happy with Creation’s response, so she brought her complaint to this service.

Our investigator didn’t think Creation had acted fairly by applying interest after Mrs C raised her complaint. He recommended that they refund the interest which was charged from 13 January 2020 and pay Mrs C interest on this from the date she had paid it until the date they refund it. Creation didn’t agree with our investigator’s conclusions and asked for the complaint to be reviewed by an ombudsman. They say there is no evidence that they had agreed to put the interest on hold, so they don’t think they have done anything wrong here.

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.

The first issue here arises from the fact that Mrs C didn’t receive her December statement. That’s why she didn’t make the December payment, which led to interest being applied. I’ve seen evidence from Creation’s system, and I’m satisfied that they sent the statement out to Mrs C. So, although I don’t doubt that it didn’t reach Mrs C, I can’t fairly conclude that this was Creation’s fault.

Under the terms and conditions of Mrs C's account, Creation don't charge interest on Standard Purchases if Mrs C pays off the whole balance by the payment due date shown on her statement. Mrs C says that she always clears the balance in full and so usually benefits from the interest free period. Under the terms, if she doesn't clear the whole balance by the payment due date, Creation charge interest from the date of the transaction to the date Mrs C pays it off in full. As Mrs C didn't pay off the balance by the December payment date, Creation were entitled to apply interest.

I understand that the monthly statements serve as a prompt to Mrs C to pay, and Creation is obliged to send them to Mrs C for each month in which there is an outstanding balance on her account. I'm satisfied that they did so here. But the charging of interest isn't dependent upon receipt of the statement by Mrs C. There is an onus on Mrs C to manage her account. She says that she has had the account for many years, so I think it's reasonable to expect her to know roughly when the statement is produced each month. And, knowing that she had made a transaction early in the month, I think it's reasonable to expect Mrs C to have known roughly when she would need to pay it off if she wanted to avoid incurring interest.

I realise that Mrs C's circumstances at the time meant that her thoughts were taken up with other things, and I sympathise with that. Creation have waived the late payment fee, which I think is fair. But I find that they were entitled to charge interest on the transaction and it wasn't their fault that Mrs C didn't receive the statement. So I don't think they acted unfairly by charging the interest which was applied in the January statement.

I now need to consider what happened after that. After receiving her statement, Mrs C called Creation on 13 January 2020. She says they told her that interest would be put on hold while they investigated her complaint. Creation don't have a recording of this call. But they say they wouldn't have told Mrs C that.

Where evidence is incomplete or inconclusive, as some of it is here, I reach my decision on the balance of probabilities – that is, what I consider is most likely to have happened, in light of the evidence that is available and the wider surrounding circumstances.

Here, I find it more likely than not that Mrs C was told, or at least given the impression, that the interest on her account would be put on hold. This is what Mrs C says happened. Creation can't say with any certainty what happened, as they don't have the call recording. I've listened to Mrs C's subsequent call to Creation, after she received her February statement. Mrs C consistently says that the January interest is disputed, which is why she hasn't paid it. She's clearly surprised that further interest was added in February and that's why she called Creation again. This indicates that she didn't expect further interest to be added, which is consistent with her having been told it wouldn't be. Creation's agent doesn't offer any clarity either way.

Mrs C's actions are also consistent with her having been told that interest would be put on hold. After the call on 13 January 2020, she cleared all of her balance except for the interest. This shows that she wanted to pay what she owed for the transaction, but disputed the interest which had been applied. When she received her statement the following month and saw that further interest had been applied, she contacted Creation again. When she received Creation's final response letter, she paid off the interest in full. This shows that she had the means to pay the interest and it was important to her to stop it accruing.

I think it follows from this that, if Mrs C had known following the call to Creation in January that interest would keep accruing, she would have paid it off in full after the call, at the same time as paying off the transaction. The fact that she didn't do this suggests that she was told during the phone call that the interest would be put on hold. I also note that Creation's letter

to Mrs C dated 15 January 2020 acknowledges that she wants the interest removed. It says that a thorough investigation will be conducted but doesn't warn Mrs C that interest will continue to accrue in the meantime.

For these reasons, I don't think it was fair for Creation to charge Mrs C further interest after her call to them on 13 January 2020. I think the interest applied up to that point was fair.

Putting things right

In order to put things right, I think Creation should refund the interest which was applied to Mrs C's account from 13 January 2020. I think they should also pay Mrs C interest on that sum, so that she is not out of pocket.

My final decision

For the reasons above, I uphold this complaint. Creation Financial Services Limited should:

- calculate the amount of interest which was applied to Mrs C's account from 13 January 2020 onwards ("the Sum");
- refund the Sum to Mrs C; and
- pay to Mrs C simple interest on the Sum at the rate of 8% a year, from the date Mrs C paid it to the date it is refunded to her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 18 February 2021.

Katy Kidd
Ombudsman