

## The complaint

Mr B complains that Creation Financial Services Limited (Creation) acted unfairly by charging him the full interest when he'd paid off a large proportion of his credit card balance.

## What happened

Towards the end of January 2020 Mr B asked Creation how much interest he'd be charged if he didn't pay his February 2020 account balance in full. The call handler wasn't able to confirm that figure. According to Creation's call notes, Mr B thought he'd probably have to pay about £50 interest based on his own calculations and when comparing interest previously paid on similar amounts (to the remaining balance).

When he got his March 2020 bill, Mr B noted Creation had charged him interest of around £190, because he didn't pay the full balance in February. He wasn't happy about that, particularly because he says had he known, he'd have cleared the account balance in full as he usually does. Or, he could have paid the minimum payment and been charged the same amount of interest.

Mr B complained to Creation in March 2020. He said that whilst he didn't dispute what the account terms might say, he wasn't aware he'd have to pay interest on the full account balance because he hadn't been charged it before (because he'd always paid his bills in full). Mr B said he hoped Creation might reach a compromise with him about how much interest he'd have to pay, particularly as he was a long-standing and regular paying customer.

Creation replied the following month. It noted that when Mr B got in touch in January 2020 to ask what the likely interest payment would be (if he didn't clear his account balance in full), the agent wasn't able to confirm that figure, as they hadn't been trained to do so. Creation thought the call handler should have confirmed that interest was payable on the full account balance and not just any remaining balance after a partial payment had been made. So, it credited Mr B's account with £50 as compensation for any inconvenience caused.

Mr B wasn't happy with Creation's response, so he complained to us. Our investigator looked into the complaint and was satisfied Mr B usually paid his credit card balance in full. He was also satisfied that Mr B could have borrowed the equivalent amount to his remaining credit card balance from another provider and been charged less interest. So, the investigator didn't think it was fair for Creation to charge Mr B the amount of interest it did, particularly as the call handler hadn't given Mr B all the information that would have been helpful to him. To put things right, the investigator recommended Creation refund Mr B £164.71 (the difference between the interest Creation charged and the amount of interest he would have paid if he'd borrowed an equivalent amount to his remaining balance from another credit provider). The investigator also thought Creation should pay Mr B another £50 compensation to recognise the inconvenience it had caused.

Mr B accepted the investigator's recommendation, but Creation didn't. Amongst its

comments, Creation said information is provided on monthly statements about the interest free periods that apply if an account balance is paid in full every month. And if the balance isn't fully repaid, the information makes clear that interest is charged on a daily basis. It also said this is set out within the terms and conditions attached to the account. Creation did again acknowledge that its call handler could have said more about how interest is calculated. And it pointed out that it had already given Mr B £50 compensation to recognise the inconvenience caused.

Our investigator responded to Creation's comments and again explained why he felt it needed to do more. Whilst Creation didn't agree, it said it was willing to pay Mr B a further compensation payment of £50 as a goodwill gesture. As Creation hasn't accepted the investigator's assessment, the matter has been passed to me to decide.

### **My provisional decision**

I sent Mr B and Creation my provisional decision on 24 November 2020. I've included relevant extracts below.

*"Mr B does appear to accept that the terms of his account explain how interest will be charged. But he doesn't think it's fair for Creation to charge him interest on his full account balance when he'd already paid a fair chunk of it off. As Mr B put it to our investigator, he didn't think he'd have to pay 100% interest on a 20% balance.*

*Whilst I follow Mr B's logic, I don't think he's making the right comparison. Although he only had around 20% of his balance outstanding after making a payment, he had 'borrowed' the whole amount shown on his account statement. So, in line with his account terms, that's the amount in relation to which interest would be calculated - unless Mr B paid his balance off in full.*

*Creation accepts its staff could have given Mr B more detailed information about how interest is calculated. And so, it's recognised the inconvenience caused to Mr B by crediting his account with £50 and by offering to give him a further £50 in compensation. But it doesn't agree that it shouldn't charge him interest. And I think that's a reasonable solution to Mr B's complaint.*

*I appreciate Mr B asked Creation to give him an idea of how much interest he'd have to pay so he could decide how much of his account balance to pay off. Particularly as he didn't have his February statement at that point - that was due about a week later. I think it would have been difficult for the call handler to say how much interest would be charged. That's because interest changes regularly as new transactions are made on the account. So, I don't find it unfair that the call handler didn't answer that point.*

*And whilst I accept Mr B hadn't yet received the relevant statement, he had received other statements, including the one dated 7 January 2020. And that statement includes important information such as how interest is calculated and the interest free period that might apply if the statement balance is paid in full. It also included an estimated interest figure with an explanation about how that's calculated. And, before his next payment became due by 26 February (and after he'd spoken to Creation), Mr B would have received his February statement. So, I think there would have been an opportunity for Mr B to realise, based on the information included in his statements, that interest would be payable on the whole balance if it wasn't paid off in full.*

*I appreciate that Mr B probably hadn't paid close attention to the information about interest on his statements, as he'd always paid off his account balance in full. So, I can see why he might not have realised that even though he'd paid off some of his balance,*

*he'd still 'borrowed' the whole amount. And, in line with the account terms and other information he'd had, that meant interest would be due on the whole amount unless repaid in full.*

*And I can also appreciate why he might now feel Creation shouldn't charge him the full interest as a goodwill gesture – particularly given his payment history and long-standing as a Creation customer. But goodwill gestures are entirely discretionary, they're not something that the terms of Mr B's agreement with Creation entitle him to. And, as such, I don't think it would be fair for me to say whether or not Creation should offer goodwill gestures. That's a matter for Creation.*

*I agree that as Mr B had taken the time to contact Creation about the interest, it could have gone into a bit more detail about how it would be calculated. And that might have given Mr B more of an insight into how much interest would be due, which might have helped him decide how much of his balance to repay. So, I can see that, even though Mr B's statements provide information about how interest is calculated, Creation could have gone further when it discussed the matter with him. But I don't think it's entirely its fault that Mr B didn't realise how much interest he would need to pay. So, I don't think Creation needs to refund the higher interest figure it's charged Mr B. And, in recognition that it could have gone further when explaining the position, Creation has offered Mr B goodwill gestures totalling £100. I think that's generous in the circumstances, so I'm not going to instruct it to take any further action".*

### **Responses to my provisional decision**

Mr B accepted my provisional decision and Creation said it had no further comments to make.

### **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.

As neither Mr B nor Creation have made further comments in response to my provisional decision, I see no reason to change what I said in that decision.

### **My final decision**

Creation has credited Mr B's account with £50 and has offered to pay him a further £50 in compensation. I'm satisfied that's a reasonable response in the circumstances. So, £50 is all Creation Financial Services Limited needs to pay Mr B now if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 February 2021.

Amanda Scott  
**Ombudsman**