

The complaint

Mr M complains about the way that Creation Consumer Finance has dealt with his credit account.

What happened

After considering all the evidence, I issued a provisional decision on this complaint to Mr M and to Creation Consumer Finance on 13 January 2021. In my provisional decision I set out what had happened as follows:

“Mr M used his credit account with Creation Consumer Finance to buy an item from a retailer. He returned the item to the retailer for a refund in October 2019 but Creation Consumer Finance says that the refund was issued to a relative of Mr M, who also had a card on his account, and who had made a payment for a similar amount from the account.

That caused Mr M’s account to be in arrears so he complained to Creation Consumer Finance. It said that an error had been made by the retailer and that it had removed the arrears from his account and requested that his credit report be corrected to remove any negative activity that this had caused.

Mr M wasn’t satisfied with its response so complained to this service. Our investigator didn’t recommend that this complaint should be upheld. She didn’t think that Creation Consumer Finance had done anything wrong and there was no adverse information recorded on his account which was adversely affecting his credit file.

Mr M has asked for his complaint to be considered by ombudsman”.

And I said:

“Mr M returned an item to the retailer for a refund of £99 in October 2019. Creation Consumer Finance says that a card on his credit account had been used to make a payment of £99.73 in May 2019. It also says that it “appears the £99 refund was issued to the 3rd party, as there has been a similar payment received on this account and it was paid using a card that was not the customers. Our process is to refund payments back to the source and it seems this was the case”.

But it was Mr M who was returning the item that had been bought using his credit account and I consider that it was reasonable for him to expect that the refund would be credited to his account. That didn’t happen and I don’t consider that Creation Consumer Finance has given a clear explanation, supported by relevant documentation, as to why the refund was paid to his relative. I’m not persuaded that Creation Consumer Finance has provided enough evidence to show that the refund was correctly paid to Mr M’s relative.

I’ve seen no evidence to show that Mr M wasn’t able to get the refund back from his relative so I’m not persuaded that he’s been caused a direct financial loss as a result of the refund being paid to his relative. I don’t consider that it would be fair or reasonable for me to require Creation Consumer Finance to pay the £99 to Mr M.

Creation Consumer Finance says that it has asked for Mr M's credit report to be corrected to remove any negative activity that this had caused. I consider that it would be fair and reasonable for it to ensure that no adverse information is, or has been, recorded on Mr M's credit file relating to any arrears on his account caused by the refund being made to his relative.

These events will have caused Mr M some distress and inconvenience. I consider that it would be fair and reasonable in these circumstances for Creation Consumer Finance to pay him £25 to compensate him for that distress and inconvenience. I'm not persuaded that a higher award of compensation is justified".

Mr M said that the refund was paid to his ex-girlfriend's mother, he wasn't notified of that at the time of the refund and she wasn't able to refund him – and he now has no contact with her. He says that he's not able to obtain the refund from his ex-girlfriend's mother and believes that Creation Consumer Finance has a legal obligation to refund him. Creation Consumer Finance said that it agreed with the outcome because it couldn't see that it had notified Mr M of the reason that it had to return payments to the source which is that payments are returned to the account or card they came from due to its anti-money laundering policy.

I then issued a second provisional decision to Mr M and to Creation Consumer Finance on 11 March 2021. In that provisional decision I said:

"Mr M returned the item that had been bought using his credit account and I consider that it was reasonable for him to expect that the refund would be credited to his account. Creation Consumer Finance still hasn't given a clear explanation, supported by relevant documentation, as to why the refund was paid to Mr M's ex-girlfriend's mother and not credited to his account.

Mr M has explained why he is unable to get the refund from his ex-girlfriend's mother so, although Creation Consumer Finance has paid the refund to her, I consider that Mr M has suffered a financial loss because he didn't receive the refund and is unable to get it.

I consider that it would be fair and reasonable in these circumstances for Creation Consumer Finance to pay £99 to Mr M to reimburse him for the refund that I consider that he should have received. I also consider that it should pay interest on that amount and that it should take the other actions that I set out in my provisional decision".

So, subject to any further representations by Mr M or Creation Consumer Finance, my provisional decision was that I was minded to uphold this complaint.

Mr M has accepted my provisional decision and Creation Consumer Finance says that it agrees to refund the £99 to Mr M but not to pay him the £25 compensation. It says that there has been no mention of Mr M not being able to get the money back for nearly a year and he's had all that time to ask for the money from the third party but it wasn't made aware that he couldn't do so because he was no longer with his partner until it received my provisional decision. It says that all it was told was that Mr M feels that the refund should have been paid to him directly with no mention of any barriers.

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 persuaded that I should change my provisional decision. Creation Consumer Finance has agreed to refund the £99 to Mr M. He returned the item in October 2019 but won't receive the refund until it's paid to him by Creation Consumer Finance. I consider that these events will have caused Mr M some distress and inconvenience. I still consider that it would be fair and reasonable in these circumstances for Creation Consumer Finance to pay him £25 to compensate him for that distress and inconvenience.

Putting things right

I find that it would be fair and reasonable for Creation Consumer Finance to take the actions set out below.

My final decision

My decision is that I uphold Mr M's complaint and I order Creation Consumer Finance Limited to:

1. Pay £99 to Mr M to reimburse him for the refund that I consider that he should have received.
2. Pay interest on that amount at an annual rate of 8% simple from the date that he returned the item to the date of settlement.
3. Ensure that no adverse information is, or has been, recorded on Mr M's credit file relating to any arrears on his account caused by the refund being made to his ex-girlfriend's mother.
4. Pay £25 to Mr M to compensate him for the distress and inconvenience that he's been caused.

HM Revenue & Customs requires Creation Consumer Finance to deduct tax from the interest payment referred to at 2 above. Creation Consumer Finance must give Mr M a certificate showing how much tax it's deducted if he asks it for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 April 2021.

Jarrold Hastings
Ombudsman