

## **The complaint**

Mrs P's complaint about Creation Financial Services Limited (CFS) relates to a missed payment on her account by virtue of a Direct Debit (DD) being cancelled by CFS under what it said was its 'Dormancy Rules'.

## **What happened**

Mrs P had a credit card with CFS and received a notification from the 'Rewards Points' provider IHG that she would need to make a transaction on her card in order to avoid losing her rewards points. So, in August 2020 she made a small transaction in the belief that the DD she had set up on her account would be used to collect payment.

In October Mrs P was notified by CFS that she'd missed a payment on her account and as a result had incurred late payment fees and interest. Additionally, the late payment had been recorded on her credit file. CFS explained that the DD had been cancelled because there hadn't been any activity on the account for over 12 months. And CFS said it had notified Mrs P of that in February 2020.

Mrs P complained and CFS said it hadn't done anything wrong but agreed to refund the late payment fee and interest as a goodwill gesture. But it said it couldn't remove the late payment marker because it had been applied correctly and accurately reflected the facts.

Mrs P was unhappy with CFS' final response and so approached this service to see if we could assist in resolving the dispute. Our investigator thought that CFS hadn't done anything wrong. Mrs P didn't agree and asked for the complaint to be passed to an Ombudsman for a final decision.

## **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.

There are a number of parts to Mrs P's complaint which I shall deal with below, but many of the facts are accepted. Mrs P received a notification from IHG that she would need to use her card, or her rewards points would be lost. So, she used the card in August. She thought the DD was in place, but it wasn't. As a fact she missed a payment to her account, because she didn't know the DD had been cancelled. Mrs P did receive a notification from CFS by email on 16 October to tell her that something had gone wrong and she was invited to make a payment or call CFS Customer Services.

CFS have supplied evidence in the form of screenshots showing Mrs P's account settings which show that her account was set up for online statements as her preference. CFS have also provided evidence that shows her September statement was made available online on 14 September and the October statement made available on 13 October. Both those statements were opened by Mrs P on 16 October. This demonstrates that Mrs P knew how to access her statements. I know Mrs P has raised concerns that CFS did not send statements by post or email, but this is not what her account was set up to do.

CFS has produced a screenshot of their system record showing that the DD was cancelled on 12 February 2020 and a letter sent to Mrs P the same day and to her correct address. I understand Mrs P has asked to see proof of postage and the contents of what was said. As I understand it there is no proof of postage but that does not mean that the letter was not sent. The best evidence I have is as I have described above and on the balance of probabilities I am satisfied that this was a letter sent to Mrs P advising her of the cancellation of the DD. I don't dispute Mrs P may not have received it but equally I can't say it wasn't sent. So, I can't say CFS have acted unfairly here because they did everything reasonably required to notify Mrs P of the cancellation of the DD.

Mrs P has queried why her account was not cancelled when the DD was cancelled. The reason is because those are two separate and distinct matters. CFS had given Mrs P a credit facility on the form of a credit card account and there is no reason to suggest that that facility should have been withdrawn. What was withdrawn was the DD and this is because CFS followed their own rules on the cancellation of DD's that hadn't been used for some time. Their policy, which they term the 'dormancy rule' says that a DD should be cancelled if it hadn't been used for 12 months. Mrs P hadn't used her card in 12 months and so CFS followed its procedure which I think was reasonable and fair.

I understand Mrs P has raised concerns that CFS were promoting spending on Mrs P's card when they knew her DD had been cancelled. That is correct. But I don't think it unfair or unreasonable of CFS to advertise and promote spending on a customer's account in this way. The fact that Mrs P did not have a DD set up does not detract from the principle that Mrs P was required to manage her account by ensuring payment either by DD or otherwise. Some customers prefer to manager their accounts without a DD and ultimately it's a customer's responsibility to ensure they make payments on time. So, promoting and advertising spending is not unfair.

Mrs P complains that after her missed payment CFS ought to have written to her, and I find that they did do so. After making the transaction in August CFS sent Mrs P her September statement on 14 September which told her that payment was due by 5 October. When payment wasn't made it then sent another statement on 13 October telling her that she had missed a payment and then an email on 16 October telling her something had gone wrong and that she should get in touch. I don't see that CFS could have done any more.

When CFS were told of Mrs P's complaints it responded quite fairly and reasonably in my view. Even though it didn't believe it had acted unfairly it agreed to refund the late payment fee and interest which I think is very reasonable. On the issue of the late payment marker, CFS has a responsibility to record correctly the status of each customer's account and is then obliged to report factual information to the credit reference agencies. In this case that is all it has done, and I therefore can't say it has acted unreasonably, and I am unable to recommend this be amended.

Finally, I shall deal with Mrs P's complaint that CFS' final response letter was not received by her within 8 weeks. She states she ought to have received the letter by 10 December but did not get it until 22 December although the letter was dated 10 December. Mrs P believes CFS may have backdated the letter but there is no evidence to support such a view. What is more likely is that there was a delay in Mrs P receiving the letter, which might well have something to do with the postal service and the time of year. On the evidence before me I can only find that the letter was generated and issued on 10 December and so I don't believe CFS has acted unfairly here either.

So, although Mrs P will probably be disappointed with my decision I can't say CFS has acted unfairly or unreasonably here and I'm not upholding this complaint.

**My final decision**

For the reasons set out above I do not uphold the complaint.

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

Jonathan Willis  
**Ombudsman**