

The complaint

Mr W complains that American Express Services Europe Limited (AESEL) charged interest on his credit card during an agreed payment holiday, which he believes they shouldn't have.

What happened

Mr W has a credit card account with AESEL. In or around March 2020, Mr W contacted AESEL for support under their credit relief programme as his income had been impacted by the global pandemic. AESEL agreed to Mr W's request and as part of their agreement, interest accruing during March, April and May 2020 was either refunded or waived.

Mr W contacted AESEL again in early June 2020. He said his financial situation hadn't improved and asked AESEL to extend their credit relief programme to him again for a further period. AESEL agreed to Mr W's request and extended this for June, July and August 2020.

Towards the end of June, Mr W received his statement from AESEL. It showed they'd applied interest to his account. He then received a text message from AESEL advising that a payment was due, and the offer had finished. So, he called AESEL to find out what had gone wrong as he thought AESEL had agreed a further period under their credit relief programme. This had previously included a waiver of his interest. So, he thought the extension also included this.

AESEL said the relief programme had expired and Mr W's account was now showing that interest was being applied. As Mr W didn't think this was right, AESEL agreed to investigate matters and return to him. They wanted to listen to his previous calls to ascertain what he'd been told. The matter was escalated as a complaint.

In September 2020, AESEL wrote to Mr W. They didn't think they'd made a mistake. They said that when he called to extend the credit relief programme, he wasn't told that interest would be waived or refunded. They said that credit relief was extended under guidelines issued by the Financial Conduct Authority (FCA). This meant that interest would be applied as normal.

Mr W wasn't happy with AESEL's response. So, he referred matters to this service. One of our adjudicators investigated Mr W's complaint. The adjudicator thought that AESEL hadn't acted fairly. They didn't think AESEL had made it clear that the extended credit relief programme differed from what was previously provided to Mr W. Our adjudicator thought AESEL should refund interest on Mr W's June statement together with any relevant interest and charges, remove any related adverse information from Mr W's credit file and pay £50 compensation for unnecessary distress and inconvenience.

AESEL accepted our adjudicator's recommendations. But Mr W didn't agree. He thought AESEL should refund interest subsequently incurred totalling £1,581.08.

As an agreement couldn't be reached Mr W's complaint has been referred to me for a final decision.

I reached a different outcome to that of our adjudicator. Because of that, I issued a provisional decision on 25 February 2022 – giving both Mr W and AESEL the opportunity to respond to my findings below before I reached a final decision.

In my provisional decision, I said:

The Financial Conduct Authority (FCA) issued guidance to lenders on 2 April 2020 which explained what it expected from businesses during the exceptional circumstances arising out of the global pandemic. It asked businesses to consider payment deferrals of up to three months under regulated credit agreements.

The FCA said their guidance applied where consumers were already experiencing or reasonably expect to experience temporary payment difficulties as a result of the pandemic. The FCA also said that *"firms should ensure that there is no negative impact on the consumer's credit file because of the payment deferral"*.

The FCA said *"firms would be entitled to charge a reasonable rate of interest where a customer requests a temporary payment freeze"*.

Mr W's original request to AESEL pre-dated the FCA's guidance. So, the credit relief programme offered to him was bespoke to AESEL. I believe they'd developed this in anticipation of the FCA's guidance. The programme meant Mr W didn't need to make minimum payments and AESEL agreed to waive or refund interest for the period agreed.

When Mr W called AESEL again in early June 2020, they verbally agreed to extend this agreement for him. I've been provided with a transcript of that call. Mr W asked for the existing arrangement to be extended. AESEL agreed to this. But they made no mention of any changes to the previous agreement. AESEL agree that both Mr W and their agent were silent on the subject of interest. So, they believe no agreement was given to waive or refund it. Whilst I agree interest wasn't mentioned. But I don't think it was unreasonable for Mr W to conclude the previous terms remained unchanged.

AESEL have said that after the FCA's guidance was issued, they amended their programme to reflect those requirements. This meant that although payments would be deferred, interest would still accrue. So, these new terms would apply to any subsequent agreements, which included the extension requested by Mr W. I believe AESEL were entitled to make those changes to their agreement. But I can't see they told Mr W about the changes when they agreed to the extension. Our adjudicator asked AESEL to provide copies of any correspondence sent to Mr W confirming the agreements and their terms. AESEL haven't provided this information.

As I can't find that AESEL had clearly told Mr W about the agreement changes, I don't think it was fair for them to charge interest when they hadn't done previously. So, I agree with Mr W that AESEL should refund interest they've charged. But, I do think AESEL should've been able to charge interest once they'd corrected their mistake and explained the changes to Mr W.

I've seen a transcript of Mr W's call to AESEL at the end of June, when he questioned the interest applied to his statement and the text message he'd received. Again, I can't see that AESEL expressly told Mr W that the new extended agreement had changed so that interest would be applied. They told Mr W they'd investigate and listen to a recording of the call he made to them.

From the information provided, the first time I can see Mr W was specifically told of the agreement changes was in AESEL's written response to Mr W's complaint. This wasn't until mid-September 2020. Based upon this, I don't think it would be fair for AESEL to charge any interest under the payment relief agreement at all, as it expired in August 2020 - before AESEL's letter.

To put things right, I think AESEL should refund any interest charged for the period, together with any compound interest (i.e. interest on interest that's resulted since). Mr W's credit file should also be updated to reflect the resultant new balances and AESEL should ensure any adverse information reported, because of this, is removed.

I also appreciate that Mr W's experience has been both distressing and inconvenient for him requiring multiple calls and correspondence in an attempt to resolve matters. So, I shall be reflecting this in my award.

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.

In my provisional decision, I asked both parties to respond with any new information or comments they wanted me to consider.

Mr W has accepted my provisional decision. But there's been no response from AESEL, despite our adjudicator following up my provisional decision with them on 17 March 2022. So, I've no reason to vary from my original findings and my final decision will, therefore, remain unchanged.

My final decision

For the reasons set out above, I uphold Mr W's complaint.

I require American Express Services Europe Limited (AESEL) to:

- rework Mr W's account, from when the first agreement commenced to when the second one ended in August 2020 and refund any interest not previously refunded; and
- calculate and refund any compound interest applied in relation to the interest refunded above, including any accrued on this beyond expiry of the agreements, and refund this to Mr W's account. The calculation should take into consideration the payments Mr W subsequently made to his account with them and, whether this would have resulted in the balance being cleared each time; and
- submit amendments to the credit reference agencies to reflect the newly calculated monthly balances and ensure that related adverse data reported (if any) is removed; and
- pay compensation to Mr W of £100 to reflect the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 25 April 2022.

Dave Morgan
Ombudsman