

## **The complaint**

Mr D complains that Creation Financial Services Limited increased his interest rate despite him closing his account.

## **What happened**

Mr D received a letter regarding his Creation credit card, which was dated 29 January 2021. The letter stated that following a review of his account, they would be increasing the interest rate from 19.9% Annual Percentage Rate (APR) to 25.9% APR within 60 days of the date of the letter unless he opted out of the increase within the 60 day period, which would close his account, but he would still need to pay the outstanding balance at the existing interest rate (19.9% APR for standard purchases).

Mr D contacted Creation for further information to see why they felt it was necessary to raise his interest rate. Mr D says that Creation responded and told him to raise a complaint and they would provide a response by 6 April 2021, however, as this was after the 60 days of the increase, Mr D felt he had no choice but to cancel his credit card, which he says he did on 12 March 2021. Mr D made a complaint to Creation.

Mr D says that Creation sent him a letter dated 24 March 2021, which was a confirmation of cancellation letter. He also says that when they sent him a letter dated 25 March 2021, Creation said that they had reviewed the contents of the letter they had previously sent him and they enclosed a revised copy for Mr D. But Mr D says they did not enclose the revised copy of the letter.

In their final response dated 25 March 2021, Creation said a letter was sent out to him on 28 January 2021, informing Mr D of the interest rate increase to 25.9% APR and that the original letter they sent Mr D might have indicated the interest rate rise was based on information they received from credit reference agencies, however, the main reason for interest rate rises was due to increased operation costs and current market conditions. Creation credited £50 to Mr D's account for not giving him clear reasons as to why they intended to increase Mr D's interest rate in their original letter.

Mr D asked for the revised letter to be sent to him on a number of occasions, but he said they hadn't sent him it, despite Creation saying they had. Mr D brought his complaint to our service. Our investigator felt the compensation Mr D had been paid was reasonable. She arranged for Creation to send a copy of the revised letter to Mr D, but as this was a template letter, key information was not displayed on this letter.

Mr D asked for an Ombudsman to review his complaint. He said that Creation should increase the compensation to at least 10 times the amount they paid him and to return the overpaid interest. He said it is his contention that the revised letter that Creation said they enclosed to him on 25 March 2021, would have shown that the APR had been increased. He said he had not received a letter dated 28 January 2021, which Creation referred to in their response to him on 25 March 2021.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*At the outset I'd like to emphasise that this service is not the regulator. Nor do we act as the enforcer for the regulator. The regulator is the Financial Conduct Authority. Our service acts as an informal dispute resolution service for complaints about financial businesses. We look at the circumstances of individual complaints and, on a case by case basis, taking into account relevant industry guidance for example, make findings about whether a financial business has failed its customer in any way.*

*Where we find it has, we make awards designed to make the business put things right with the complainant customer. Our awards are not designed to punish a business or to make it change the way it acts in order to protect other customers in the future. That is the role of the regulator.*

*Mr D has made a number of points to this service and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here. Before I move onto the crux of this complaint – the APR being raised despite instructions to close the account, I want to address what I'm persuaded has happened regarding the letter which Creation referred to in their final response letter as being dated 28 January 2021 and the revised letter which they said they enclosed on 25 March 2021.*

*I'm persuaded that the reference to the letter that was sent on 28 January 2021 is an oversight and should've read 29 January 2021. And I can understand why the complaint handler made this mistake, if this was an oversight. I say this as the system screenshot Creation provided me shows when automated mail is sent to a Mr D. This screenshot displays an entry which shows the "L2317" letter which was sent regarding the increase in APR, shows on their system with a date of 28 January 2021 with a time at 00:10. There is no letter sent to Mr D on 29 January 2021 on the screenshot.*

*So I can only presume that because Mr D received the L2317 letter regarding the interest rate rises, that this letter was dated the day after it was produced. It would not make sense for Creation to refer Mr D to a previous letter about interest rate rises otherwise. And there is no other evidence of any letter regarding the interest rate rises, so I believe the 28 January 2021 letter which Creation referred to in their final response letter was the letter dated 29 January 2021 – and it is used in that context also as it refers to the interest rate rise to 25.9%, just like the letter did dated 29 January 2021, which Mr D provided to our service.*

*I've noted what Mr D has said about the revised letter which Creation said they enclosed with their final response on 25 March 2021, with him maintaining this would have a different APR interest rate in the letter. Although we've asked Creation for a copy of the revised letter, they confirmed their system is unable to produce the exact letter they sent, so I'd need to rely on the template that they've sent us.*

*But I'm not persuaded on the balance of probabilities that Mr D's revised letter, which he said he didn't get on multiple occasions, contained any different interest rates to his letter dated 29 January 2021 and I'll explain why.*

*The difference for the revised letters was because Mr D had enquired with credit reference agencies about his credit standing, as the letter dated 29 January 2021 stated "the changes to your interest rate on your card take personal circumstances and credit bureau information*

into account, these reviews may result in either an increase or decrease in your interest rates”.

*The revised letter, which is the template letter Creation say they sent to Mr D reads differently “the changes to the interest rate on your account are a combination of credit bureau information, rising operations costs and current market conditions. This means that interest rates are variable and can increase or decrease during the lifetime of the account.”*

*I’m satisfied this is the main difference between the two letters. I’m persuaded that Creation enclosed or thought they enclosed this revised letter to reassure Mr D that he didn’t need to spend his time looking into his credit report as there were other reasons why they could increase the interest rate on the account, such as rising operations costs and current market conditions. And this links in with the wording on Mr D’s final response letter. Creation also say that they sent a copy of the revised letter to Mr D on 17 May 2021, although I’m unable to evidence this.*

*In reality, the revised letter made no difference (apart from the reason why the APR was being increased) to what the letter dated 29 January 2021 told Mr D. Apart from the frustration of this not being made clear to Mr D and him not receiving the revised letter, I’m not persuaded that the failure for Mr D to receive this letter had any impact on what is the crux of his complaint and I’ll explain why.*

*As Mr D has correctly pointed out, both the revised letter and the letter dated 29 January 2021 show that he can opt out of the new interest rate. While the interest rate wasn’t shown on the template, as Creation’s final response letter was dated 25 March 2021, then his current interest rate at the time would have been 19.9% APR for purchases. This is another reason why I don’t believe the revised letter would have had a different interest rate as the 60 days hadn’t fully elapsed from when he was notified of the change on the letter dated 29 January 2021.*

*But Mr D did opt out of this. I’ve seen the email trails between himself and Creation which confirms Mr D’s instructions. One of the emails dated 23 March 2021, confirms that “I can confirm your account is closed and the cards are inactive. You will still need to repay your balance in full or in monthly instalments at your current interest rate”.*

*I’ve also had sight of the letter Creation sent Mr D dated 24 March 2021. This letter contains the text “we’ve closed your account as requested”. So as per Mr D’s letter dated 29 January 2021 says, “If you decide to opt out, thereby closing your account with us, and have a balance on your card, you must continue to make regular payments each month by the due date, until your account is paid off in full. You will be charged interest at the existing rate shown above until the balance is settled in full.”*

*Mr D was not charged interest at the existing rate though. So what I believe has happened on the balance of probabilities, is that although Mr D was sent a letter confirming the closure of the account, I don’t believe anybody at Creation amended the system to prevent the interest rate rising and/or closed the account.*

*I say this as when Mr D paid off his full balance, his account did not appear to fully close. And his interest rate on his March 2021 statement showed as 19.9% APR for standard purchases and balance transfers and for cash advances as 27.9% APR. But his April 2021 statement shows his interest rate increasing for standard purchases and balance transfers was 25.9% APR and for cash advances it was showing as 33.9% APR.*

*So it’s clear to me that Creation have made an error here. As they acknowledged that Mr D had closed his account and therefore opted out of the interest rate increase, his interest rate*

*should have remained at 19.9% APR for standard purchases and balance transfers and 25.9% APR for cash advances.*

*So it's only right that Creation puts this right for Mr D and reworks his account to ensure any extra interest that has been charged due to the increase is refunded to Mr D. But because he has paid the increased interest, using his own money to do so, he has been deprived of the use of this money. So Creation should also pay Mr D 8%\* simple interest on top of the refunded interest figure.*

*While this would put Mr D back in the position he would have been if Creation didn't raise the interest rate, I'm not persuaded that this recognises the inconvenience and distress that the issues involved here have had on Mr D.*

*I know that Creation have already paid Mr D £50 for not being clear for the reason they were going to raise his interest rates. But the impact of not stopping the interest rate rises, despite confirming to Mr D on multiple occasions that his account was closed and he would have to pay interest at his existing rate, would have a far greater impact on him.*

*I know that Mr D feels that £500 additional compensation should be paid – 10 times what Creation have already paid him. But compensation is a discretionary remedy that we sometimes award if we feel that a business has acted wrongfully and therefore caused distress and inconvenience to their customer over and above that which naturally flows from the event. When we recommend compensation, it is often modest and within our established guidelines.*

*So I've considered what would be reasonable for Creation to pay Mr D in addition to the £50 they had already paid. I'm satisfied that an extra £200 would recognise the impact that the events had on Mr D. I say this as he was charged higher interest for several months when he shouldn't have had to pay increased interest on his outstanding balance. This will have been very distressing for Mr D as less of his outstanding balance will have been paid from his monthly repayments and especially as Creation did not rectify this situation when they were made aware of it. So I intend to ask Creation to put things right for Mr D."*

I invited both parties to let me have any further submissions before I reached a final decision. Creation did not provide any further information for me to consider. Mr D responded and he said that his suggestion that any additional compensation should be paid at 10 times the £50 already paid by Creation was not based on greed, but the approximate 100 hours he has spent on this complaint.

### **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.

I've considered what Mr D said about his suggestion of compensation. I want to explain to Mr D that I never once thought his suggestion was out of greed. I was aware of how long he's said he's spent on the complaint. My wording was intended to explain that there would always be an element of time spent bringing a complaint and trying to resolve this with a business before it reaches our service, but I would consider the individual merits of his complaint and award compensation in line with our guidelines.

As neither party have provided me with any further information to consider, then my final decision and reasoning remains the same as in my provisional decision.

## **Putting things right**

In my provisional decision I said I intend to ask Creation to pay Mr D an additional £200 compensation for inconvenience and distress and to rework his account to ensure any interest charged over 19.9% APR for standard purchases/balance transfers and over 25.9% APR for cash advances is refunded to Mr D and add 8%\* simple interest per year from the date the higher interest was charged to the date of settlement. I'm still satisfied this is a fair outcome for the reasons given previously.

## **My final decision**

I uphold this complaint. Creation Financial Services Limited should;

Pay Mr D an additional £200 compensation for inconvenience and distress;

Rework his account to ensure any interest charged over 19.9% APR for standard purchases/balance transfers and over 25.9% APR for cash advances is refunded to Mr D and add 8%\* simple interest per year from the date the higher interest was charged to the date of settlement.

\*If Creation Financial Services Limited considers that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr D how much they've taken off. They should also give Mr D a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 20 June 2022.

Gregory Sloanes  
**Ombudsman**