

The complaint

Mr B says American Express Services Europe Limited told him interest would be frozen on his balance as of January 2021, but it applied interest in January and February 2021.

What happened

Amex closed Mr B's account in early December and sent him contact details of organisations who might be able to help him with his finances. Mr B contacted Amex's debt collections agency in response to a letter it sent on 21 January 2021. This was the second letter it had sent asking Mr B to get in touch about his debt. He was having financial difficulties and so completed an income and expenditure form. On 26 January 2021 the debt collections agency confirmed it was referring him to its specialist financial difficulties team who could help him and freeze interest on his account. Amex wrote to Mr B on 29 January 2021 confirming it was freezing interest and this would take effect in seven days – so 5 February 2021. Mr B's statement from 3 February shows his balance at this point was £6,910.94.

Unfortunately Amex applied interest in error to his March and April statements, but it corrected this with a credit to his account on 18 March 2021. It was done on this date as Amex incorrectly refunded the February and March interest initially, when the February interest was valid as was charged on the 3rd, so prior to the freeze on the 5th. It transferred the debt of £6,912.66 to the collections agency in April 2021. This was £1.72 higher than Mr B's balance when the interest freeze was applied so it later credited Mr B's account with this amount.

Mr B says his balance should be £6,795.04, as it was on his January statement

Our investigator did not uphold Mr B's complaint. She said whilst it was unfortunate Amex had made errors in charging interest after 5 February 2021, it had refunded these amounts. And the correspondence she had seen made clear the interest freeze would start on 5 February, not at the start of January 2021. So she found Amex need not refund any more interest charges to Mr B's account.

Mr B disagreed with this assessment. He said the collections agency had confirmed the balance to him, as did Amex in January 2021. The agency only mentioned an increased balance in late 2021/early 2022. He asked for an ombudsman's review, so the case was passed to me.

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 am not upholding Mr B's complaint. I'll explain why.

I have reviewed the correspondence from the debt collections agency that Mr B feels confirms his balance to be £6,794.04. I find it is clear they referring to his balance at that point in time and they can try to help him get interest frozen going forward subject to him

doing certain things (agreeing an affordable payment plan, or completing an income and expenditure form). But not until Amex's letter of 29 January 2021 is this a formalised agreement. It is clear the effective date will be 5 February 2021.

The letter reads *'The annual interest rate you are charged will be reduced to 0% per annum for all outstanding balances on your account(s). This means you will not be charged any interest on any of your outstanding balances. This reduction will take effect seven (7) days from the date of this letter.'* So the relevant final balance is the one that appeared on Mr B's statement including charges up until 3 February 2021. This was £6,910.94.

Amex's errors in March and April meant a marginally higher debt was transferred to the debt collections agency in April 2021. But as this £1.72 discrepancy has been corrected I find Amex need take no further action.

Mr B has said he only found out about the higher balance in late 2021/early 2022, but as Amex issued a correct statement on 3 February 2021 prior to transferring the debt I can't find it made a communication error. If Mr B is dissatisfied with the communications from the debt collections agency he should raise a complaint with it first. He can then of course bring a new complaint to this service if he is unhappy with its response. It needs to be investigated separately as the debt collections agency is not party to this complaint and needs to have the chance to respond to Mr B.

My final decision

I am not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 28 September 2022.

Rebecca Connelley
Ombudsman