

## **The complaint**

Mr O complains about the handling of his account by American Express Services Europe Limited (AESEL) following a purchase he made.

## **What happened**

In January 2022 Mr O wanted to make a purchase worth around £46,000 and planned to use his charge card with AESEL to do so. He agreed with the merchant that he'd make six monthly payments of approximately £7,749.83. He spoke to AESEL to ensure things would go smoothly. He explained the merchant would submit a preauthorisation request for the full amount and once agreed, would then request an actual payment for the agreed monthly amount. Each month the same pattern would follow but with a smaller preauthorisation amount to take account of the payments made.

AESEL told Mr O that at the time he spoke to it, his limits allowed the purchase to go ahead but this could change. Mr O went ahead with the purchase and the first two payments went through successfully. At the end of February 2022 however, AESEL reviewed Mr O's account and placed a spending limit of £4,600 on it. AESEL said it had taken this action in line with the terms and conditions of the account which allowed it to review spending limits.

Mr O spoke to AESEL and said it would put him in an awkward position as the agreement he'd reached with the merchant would fail and the full amount of his purchase would fall due. On 16 March 2022, the merchant put through a preauthorisation request for £30,999.34 (the amount outstanding after the two completed payments) but this was refused by AESEL. The merchant then put through an actual payment request for the full amount which AESEL paid. As Mr O's account is a charge card, it has to be paid in full each month. This meant AESEL expected Mr O to pay £30,999.34 when he'd been expecting to pay £7,749.83.

Mr O complained to AESEL. He said the decision to decline the preauthorisation of the amount and then accept the actual payment had left him in financial difficulties – he could not pay the required amount in one go.

AESEL said it was entitled to review limits at any time and had notified him of the reduction in his spending limit in advance. It said it could find no error and rejected Mr O's complaint.

Mr O didn't accept what AESEL said, so he referred his complaint to us. One of our investigators looked into it. He said the terms and conditions of the account allow AESEL to review spending limits on the card. Our investigator felt AESEL had been entitled to complete the review, and decrease the spending limit in line with its process.

AESEL accepted what our investigator said but Mr O didn't. As there was no agreement, the complaint has been passed to me for a 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.

Having done so, I didn't agree with our investigator. I issued a provisional decision saying:

*"There is no dispute that the terms and conditions of Mr O's agreement with AESEL allow it to review – and reduce – spending limits without notice. So it wasn't unreasonable for AESEL to review Mr O's account and reach the decision to reduce his spending limit. But what happened after that put Mr O in a difficult position and AESEL hasn't been able to satisfactorily explain the actions it took after the reduction took place.*

*Mr O contacted AESEL at the time of the purchase to explain the transaction he wished to make and how it would work. AESEL agreed that at the time the transaction due would be approved but warned him the limits may change. AESEL was aware of the transaction Mr O had entered into and had seen the payment method in action, with the first payment on 3 February 2022 being apparently trouble free and repaid on time. After that payment, the following appears to have taken place:*

- *25 February 2022 – a preauthorisation was agreed ahead of payment on 3 March.*
- *27 February 2022 – AESEL reduced Mr O's spending limit to £4,600.*
- *3 March 2022 - £7,749.86 was debited from Mr O's account. 16 March 2022 – a preauthorisation of £30,999.34 was refused.*
- *21 March 2022 – Mr O paid the £7,749.86 in accordance with the account terms.*
- *23 March 2022 - £30,999.34 was debited from Mr O's account.*

*Given that AESEL had reduced Mr O's spending limit on 27 February 2022, it isn't clear why it then allowed the debits of £7,749.86 and £30,999.34 to take place after that - especially as it had refused a preauthorisation just a week earlier.*

*Throughout this period, Mr O spoke to numerous members of staff and explained the situation. He'd explained that the merchant would be putting through a preauthorisation request for the full amount every 18–21 days, followed by the instalment amount on or around the 3rd of the month. He explained that if the merchant was unable to process the preauthorisation, it would claim the whole amount due. This would cause Mr O difficulties as the account is a charge card so the balance must be paid in full each month.*

*AESEL staff appeared to understand what was happening and the position that refusal of the preauthorisation would place Mr O in. But they appeared to be bound by 'the system' telling them what could or couldn't be done. There was no dispute that Mr O had run his account in accordance with the terms and he'd made the repayments under this purchase on time.*

*From 23 March 2022, Mr O found himself in the position of being asked to pay the full balance of £30,999.34 in a lump sum rather than the smaller instalments AESEL was aware he'd agreed. Furthermore, AESEL refused to speak with Mr O about this issue because he'd referred his complaint to us which undoubtedly heightened his distress. There is nothing to prevent AESEL from speaking to any of its customers while a complaint is with us.*

*It might have been reasonable for AESEL to reduce Mr O's spending limit when it did as it may have had concerns about him being able to repay the debt (although it has provided nothing to show that was the case). But if that were so, it's not clear why it thought it was fair and reasonable to allow a large payment to go through that it knew Mr O would struggle to pay off in line with the account terms.*

*I think it's clear that AESEL understood the transaction Mr O was involved in. I've seen nothing persuasive showing AESEL had reasonable grounds to think he wouldn't be able to*

*make the payments he'd discussed. It was aware agreement of the preauthorisation would have led to £7,749.86 being debited, and the consequences its refusal could have for Mr O. So I think it was reasonably clear that AESEL knew its refusal of the preauthorisation would place Mr O in a very difficult position and it could have taken steps to prevent that. For this reason, I don't think AESEL has treated Mr O fairly and it should look to put matters right for him. I intend to uphold this complaint.*

### **Putting things right**

*When we uphold a complaint, we aim to put the consumer in the position they would have been in had the problem not occurred. In this instance, if the transaction had gone as planned, I think it's more likely than not that Mr O would have paid each instalment in full. But I'm aware that because of the problems he experienced, he withheld the payments. This has had a knock-on effect of causing charges and interest and affected his credit file. His account with AESEL has now been closed too, but with the debt outstanding.*

*It's clear Mr O entered into a contract to make the purchase he did and has received the goods, so it's right that he should repay AESEL as it has provided the finance. However, for the reasons I've mentioned, I don't think he should suffer in terms of interest or his credit file being affected while this dispute was being resolved – he would not have suffered those consequences if AESEL had not treated him unfairly.*

*So, to put matters right, I think:*

- *Mr O should pay AESEL £30,999.34 either
  - *in one lump sum or, if he prefers,*
  - *in 4 monthly instalments of £7,749.83 without any addition of charges or interest. This option should begin within one month of Mr O's acceptance of my final decision.**
- *AESEL should remove any charges and interest accrued on the account from the date they were levied.*
- *AESEL should remove any adverse information it has placed on Mr O's credit file to date and while the instalment plan (if this is Mr O's preferred repayment option) is in place. If the instalment plan fails, then it would be reasonable for AESEL to begin to register late payment markers from the point of failure as necessary. Once the balance is repaid, AESEL should accurately record the closure date of the account on Mr O's credit file.*
- *AESEL should pay Mr O £500 for the distress and inconvenience caused."*

AESEL has accepted my decision but Mr O hasn't responded. That being so, I see no reason to depart from my provisional decision. AESEL should put matters right for Mr O as I've recommended in my provisional decision.

### **My final decision**

For the reasons I've explained, my final decision is that I uphold this complaint. American Express Services Europe Limited must put things right for Mr O as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 6 March 2023.

Richard Hale  
**Ombudsman**