

The complaint

Mrs M complains Creation Financial Services Limited refused to issue a pro-rata refund of her account fee and failed to issue her a voucher for a hotel stay.

What happened

Mrs M held a credit card with Creation linked to membership of a reward scheme with a third-party provider. Points earned on the card were redeemable against hotel stays and associated benefits. One specific reward was an anniversary voucher, redeemable for a one night stay at a hotel. To qualify for the voucher Mrs M's spending needed to reach a specific sum and the annual account anniversary needed to have been reached.

Creation reviewed and then decided to close Mrs M's account. They sent her a letter at the end of September 2021 giving her two months' notice that her account would close.

Mrs M says Creation should provide the hotel voucher as she had spent the requisite amount on her account or in the alternative, pay the cost for a one-night hotel stay. She says she should receive a pro-rata refund of the annual fee because she couldn't use the account for the full year. And, she says she didn't receive Creation's response to her complaint within eight weeks.

Our investigator upheld Mrs M's complaint in part. They concluded:

- Creation acted in line with their legal and regulatory obligations when refusing to issue a voucher. No evidence pointed to Creation closing Mrs M's account to avoid paying for the cost of a one-night hotel voucher. Nor did the circumstances point to certain account terms being unenforceable.
- Mrs M says she didn't receive Creation's response to her complaint dated 2 December 2021, until a copy was later emailed to her. But Creation provided a copy of the original letter, which was correctly addressed, so the investigator was satisfied Creation answered the complaint correctly.
- Creation shouldn't retain the full annual account fee in view of Mrs M's account closing. They should pay her a pro-rata refund for the period she no longer had the account.

Mrs M disagreed with the outcome our investigator reached, so the complaint has been given to me, as an ombudsman, to make 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.

I'm upholding Mrs M's complaint in part. I'll explain why.

Creation decided to close Mrs M's account. They have the discretion to end a customer relationship. I've considered the basis of their decision and it's reasonable. Mrs M believes the reason for closing her account was to avoid the cost of issuing a hotel voucher. But although not issuing the voucher was a consequence of Creation's decision, I don't find it formed the basis for their decision. So, I don't find their application of the account terms unfair or unenforceable.

I make the above finding because Mrs M says Creation should still honour the voucher due to spending over the qualifying amount since the last account anniversary. The voucher, however, could only be issued on her account being open on the account's next anniversary. As the account was closed for a legitimate reason before that anniversary, Mrs M didn't qualify for the voucher, so she isn't entitled to one.

Mrs M was charged £99 on 21 December 2020 and, as her account closed before 21 December 2021, she paid for use of the account she couldn't benefit from. Creation should refund her a pro-rata sum for the period she no longer had use of her credit card account.

Complaint handling is not an activity which falls under our service's compulsory jurisdiction. So, in isolation, a complaint about a failure to comply with a time limit under the Dispute Resolution Rules (DISP) is not something I can consider – it's disconnected from a complaint about the underlying financial service Creation provided.

But I can consider points about the manner in which a firm administered its business in relation to a financial service. So, Mrs M's dissatisfaction with Creation's explanation as to why they refused to honour a voucher earned in relation to her account or to provide a pro-rata refund, and how long it took to provide that explanation, is something I've considered.

After considering the evidence and information available, I'm satisfied Creation does not need to reveal more of their reasoning to Mrs M, and there is a valid reason for this. I'm also persuaded, based on the evidence I've seen, that Creation did send their explanation to her – even though Mrs M finds it unsatisfactory - in their final response letter on 2 December 2021.

Putting things right

Subject to Mrs M accepting this decision within the deadline, I require Creation Financial Services Limited to pay her a prorated refund of the account fee for the time she no longer had use of the account.

My final decision

My decision is I uphold Mrs M's complaint and require Creation Financial Services Limited to pay compensation according to my instruction above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 21 August 2023.

Liam King
Ombudsman