

## **The complaint**

Mr P complains about the interest charged to his account by Creation Consumer Finance Ltd.

## **What happened**

Mr P made a balance transfer of £875 to his Creation credit card on 20 February 2023 to take advantage of a 0% interest offer. The balance transfer attracted a handling fee of 3.99%.

Creation issued a statement on 21 March 2023 which advised that the required minimum payment was due on 10 April 2023. The statement showed an outstanding balance of £909.91.

On 24 March 2023 Mr P made a payment of £9.91.

On 27 March 2023 Mr P used the card to purchase items totalling £997. On 17 April 2023 Mr P made a payment of £997.

Creation applied the payment of £997 to clear the outstanding balance transfer. It then applied interest to the account balance.

Mr P complained to Creation. He said that when he made the payment of £997 on 17 April 2023, he intended this to be applied to clear the purchase dated 27 March 2023 and not the balance transfer amount.

In response, Creation said the purchase balance would be due on the following months statement and that any payments made prior to the statement date were applied towards the statement balance due. Creation said the interest applied to the account had been correctly charged.

Mr P remained unhappy and complained to this service.

Our investigator upheld the complaint. She said that although Creations terms and conditions permitted it to allocate the payment in the way it had done, she thought that Mr P's intention to pay off the purchase balance was clear. The investigator said it was fair and reasonable to ask Creation to rework the account and apply the payment of £997 made on 17 April 2023 to the purchase balance.

Creation didn't agree. It said that the terms and conditions of the account made it clear that if the card was used to make purchases, interest would be charged on these from the day of purchase unless the whole balance (including the balance transfer) was cleared. Creation said the interest had been charged in line with the terms and conditions.

## **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 reviewed the terms and conditions which Mr P agreed to when he opened the account. These say that:

"If you take advantage of this offer you will not be charged interest on the balance transfer. If you use your card to make purchases, you will be charged interest on these from the day of purchase unless you clear the full balance including the balance transfer"

I understand that having used the card to make a purchase, Mr P made a payment which he intended to clear the purchase amount.

Creation applied the payment to clear the statement balance. It says that any payments are automatically applied to clear the statement balance due.

Based on what I've seen, I'm unable to say that Creation has made an error, because it has charged interest on the purchase balance in line with the terms and conditions.

However, the only reason Mr P has been charged interest is because he paid the £997 before the next statement had been issued. If Mr P had waited for the next statement to be issued – which was only 4 days away – then the payment of £997 would have been applied to the purchase balance, because it was the purchase balance which attracted the highest interest rate.

In the circumstances and given that Creation acknowledged that it was Mr P's intention to pay the purchase balance, and taking into account the fair and reasonable remit of this service, I think it would be fair and reasonable to ask Creation to treat the payment of £997 as if it had been made a few days later and rework the account so as to apply the payment to the purchase balance.

### **Putting things right**

Creation should rework the account and apply the £997 payment to the purchase balance and refund any interest calculated up to the date when the account was settled.

### **My final decision**

My final decision is that I uphold the complaint. Creation Consumer Finance Ltd must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 27 December 2023.

Emma Davy  
**Ombudsman**