

The complaint

Mr W complains that American Express Services Europe Limited (AESEL) failed to tell him that using his card to make cash withdrawals would negatively impact his credit file.

What happened

Mr W holds an AESEL credit card. While abroad in June 2024 and having misplaced his debit card, he used the chat facility to ask AESEL if he could withdraw cash using his credit card. Mr W asked about the associated fees and if the withdrawals would affect his credit score. AESEL confirmed he could withdraw cash and gave details of the fees and interest. But AESEL didn't tell Mr W that the cash withdrawals would be added to his credit file. Mr W says the cash withdrawals negatively affected his credit score and that this impacted his credit limit with AESEL and made him ineligible for other credit cards offered by AESEL.

Although AESEL offered a credit of £30, Mr W didn't think this went far enough to put things right. As well as not being able to increase his credit limit to fund a large purchase, Mr W explained to our investigator that he delayed purchasing a property due to the impact on his credit score.

Our investigator considered Mr W's complaint and thought that AESEL should do more than it had so far. He referred to the Consumer Duty – a set of rules introduced by the FCA in July 2023, as a means of setting higher standards of consumer protection across financial services, requiring firms to put their customers' needs first. Our investigator thought that by failing to explain to Mr W that a cash withdrawal could impact his credit file, AESEL failed to deliver on its duty to support him to meet his financial objectives and avoid foreseeable harm. Our investigator thought that if AESEL had given Mr W information about the possible impact on his credit file, he would have found an alternative way to withdraw cash. To put things right, our investigator recommended that AESEL pay a further £70 compensation and remove the cash transaction record from Mr W's credit file.

AESEL accepted our investigator's recommendation but Mr W didn't. He didn't think the award of compensation adequately reflected the inconvenience caused, which included time spent dealing with the complaint and forgoing several large purchases. Together with the negative impact to his credit file which would have impacted the interest rates offered to him. Mr W suggested an alternative way to put things right. He asked that as well as removing the cash withdrawal entry, AESEL upgrade his account to Platinum and waive the first year's fee.

Our investigator said he could not recommend the proposed settlement but would put Mr W's suggestion to AESEL.

AESEL declined saying it could not guarantee that Mr W's application to upgrade his credit card account would be successful. And that even if it approved the application, the waiving of the annual fee of £650, would represent an increase in compensation of £550. AESEL didn't think this was fair. It also pointed out that it could not know how Mr W's use of his credit card to make purchases (that he says he could not proceed with) would have impacted his credit profile.

Mr W remains unhappy with the investigator's recommendation. He says the complaint process started in July 2024 and he has invested significant time and effort in the process. Mr W says that the impact to his credit score has caused significant inconvenience and has led to delays buying property and a car.

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 realise that I have summarised this complaint in less detail than the parties and that I have done so using my own words. The rules that govern our service allow me to take this approach. But this doesn't mean I have not considered everything the parties have given to us.

AESEL accepts that it didn't respond to Mr W's question about the possible impact of a cash withdrawal on his credit file and it has agreed to the steps proposed by our investigator. So, my decision focusses on whether our investigator's recommendation goes far enough to put things right.

I'm sorry to disappoint Mr W but I agree with our investigator that the removal of cash withdrawal entry from his credit file together with a total of £100 compensation, is a fair way for AESEL to resolve his complaint.

Part of the inconvenience caused to Mr W when travelling was because he lost his debit card, so had to rely on other means to withdraw cash. This was not because of something which AESEL did wrong. And as Mr W says he would not have used his credit card to make the cash withdrawals if AESEL had told him of the possible impact on his credit file, he would have always had to find alternative ways to get cash when travelling.

I understand that Mr W delayed some major purchases including buying a property. I accept this was far from ideal but I can't see that Mr W was in the process of making a purchase which was then derailed solely because of the cash withdrawal entry on his credit file. If that were the case, I would have expected Mr W to supply evidence that a credit application was declined purely because of the negative impact of the cash withdrawal entry. Instead, it seems to me that Mr W took a pragmatic approach to his finances which has meant he minimised the potential impact of the entries on his credit file. This means I would not look to award Mr W compensation for something which didn't actually happen. Particularly as the buying of a property for example, could have been delayed for many reasons which would have had nothing to do with AESEL or cash withdrawal entries.

It is also difficult to know whether, even without the cash withdrawal entries, Mr W would have been able to increase his credit limit or upgrade his credit card. So, I don't consider it fair to require AESEL to agree to upgrade Mr W's credit card and waive the annual fee.

For the reasons outlined above, I think that a total of £100 compensation, together with the removal of the cash withdrawal entries, fairly reflects the inconvenience caused to Mr W by AESEL's failure to warn him, when asked, that using his credit card to withdraw cash may negatively impact his credit file. Our approach to awards such as this can be found on our website.

Putting things right

AESEL should pay Mr W £100 compensation from which it can deduct any sums already paid as part of this current complaint.

AESEL should make sure that, if it has not already done so, it removes the cash withdrawal entry or entries from Mr W's credit file.

My final decision

My final decision is that I uphold this complaint and direct American Express Services Europe Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 10 April 2025.

Gemma Bowen
Ombudsman