

The complaint

Mrs W is unhappy with the interest Creation Consumer Finance Ltd (Creation) applied to her running account credit agreement.

What happened

On 2 March 2024, Mrs W purchased electrical goods from a company I'll call 'R'. The total price was £1,624 and Mrs W financed this via a running account credit facility provided by Creation. Under the terms of that facility, Mrs W was provided a 12-month Buy Now Pay Later (BNPL) deferment period. This meant if the total amount was repaid within the deferment period, then no interest would be applied. Following the 12-month deferment, the agreement stated that 24 monthly payments of £114.12 would be required, starting on 2 April 2025.

On 13 March 2025 Mrs W called Creation to say she was going to repay the full £1,624 on 19 March 2025. However, Creation said the deferment period had ended on 2 March 2025 and so interest had already been applied. Mrs W says she was repaying before the first direct debit payment was due and therefore didn't believe the interest should've been charged. She therefore logged a complaint.

Creation issued its final response on 14 March 2025. In this it explained the deferment period ended on 2 March 2025 and that had been explained in the credit agreement. Creation added it had sent a letter in September 2024 regarding the end date of the deferment period and had added reminders in both of Mrs W's January and February 2025 statements. Therefore, it had followed the correct process, and the interest had been applied correctly.

Unhappy with this Mrs W referred her complaint to the Financial Ombudsman Service. One of our investigators considered the complaint and concluded Creation hadn't acted unfairly in applying the interest it did. They said Creation had taken the appropriate steps to notify Mrs W of when the deferment period was due to end and as that had passed when Mrs W called to arrangement repayment, the interest applied had been done so correctly.

Mrs W didn't agree and asked for her complaint to be considered by an ombudsman. Therefore, the matter has been passed to me to decide.

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 would like to point out I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I appreciate here that Mrs W says she believed that by paying in March 2025 (before the first direct debit was due to be taken on 2 April 2025) she was paying in time for interest to not be applied.

I've looked at the credit agreement and this explains the BNPL deferment period was due to end on 2 March 2025. It goes on to say *"interest will not be payable on any payment made before this date, even if the payments do not clear the amount shown in full. If you pay £1,624 by this date you won't be charged any interest"*.

The agreement also says:

"Any balance left to pay after this date will incur interest from the date of your purchase at the rate specified in your credit agreement."

I think this is clear in explaining that for interest to be reduced, or for it not to apply at all, payment(s) needed to be made by 2 March 2025 and not by 2 April 2025 when the first direct debit payments were due to start. If that doesn't happen it's clarified that interest will then be backdated to the date of the purchase. So, interest has been added correctly and done so in line with the terms of the credit agreement Mrs W entered into.

I've also looked at the steps Creation took to further make Mrs W aware of when the deferment period was due to end. As I can appreciate the agreement was entered into 12 months beforehand.

Both Mrs W's January and February 2025 statements explain in the highlighted important information section that the BNPL deferment period ends on 2 March 2025. They both make it clear that if the full balance is repaid by that date, then no interest will apply. Importantly the statements add that *"if you have a balance after the special offer period has ended, your monthly direct debit payments of £114.12 will be taken from your bank account starting 2 April 2025"*.

I acknowledge both statements explain the direct debit will be applied on or around 2 April 2025, but that is accurate. I'm satisfied it's been made clear that the direct debit date doesn't impact on the date the deferment period was due to end and only become active if a balance remains after the deferment period has ended.

I understand Mrs W's frustrations here. She has had to pay a large amount of interest when it's only been a matter of weeks since the BNPL period date ended. But ultimately Creation has taken sufficient steps to make Mrs W aware of when the deferment ended and that had already passed when she contacted Creation to make payment. So, I can't ask Creation to refund interest here.

My final decision

I don't uphold Mrs W's complaint against Creation Consumer Finance Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 15 December 2025.

Paul Blower
Ombudsman