

## **complaint**

Mr W complains that Creation Financial Services Limited, trading as Asda Money, misled him about how a balance transfer offer on his credit card account works, and wrongly charged him interest.

## **background**

Mr W has a credit card account with Creation. It wrote to him with an offer to transfer a balance from other credit cards at a promotional interest rate of 0% until 2018. Mr W transferred two balances, in total £700, to his Creation card.

Mr W continued to spend on his card, and to pay off his purchases in full each month. He complained that Creation was charging him interest when it shouldn't be. He said that it must be charging interest on the promotional transfer balance because he'd cleared the purchase balance. He said that the statements weren't clear and didn't separate the two sums. And he said that Creation shouldn't expect any payment towards the promotional balance until the end of the promotional period.

Creation said that the account had operated in line with the terms and conditions and that Mr W hadn't been charged interest wrongly. However, it agreed to refund the interest he'd been charged as a gesture of goodwill. Our investigator agreed, and so Mr W has asked for an ombudsman to review the case.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Creation sent Mr W a letter inviting him to take up a balance transfer offer, which he did. The letter said that he would be charged no interest on the balance transfer amount for 20 months. But it said "*Remember if you take advantage of this offer you will not be charged interest on the balance transfer for the 0% period. However you can only enjoy interest free card purchases if you clear the full statement balance each month*".

The terms and conditions of the account say much the same. They say that interest is charged from the date money is spent to the date it is paid back. But they also say that if the full outstanding balance is cleared by the next statement date, interest won't be charged. Any payment Mr W does make will be applied to the higher interest elements of his balance first.

What this means is that Mr W never pays interest on the balance transfer part of his credit card debt. Interest on the purchase part is charged daily from the date he spends that money to the date he pays it back. But if he clears the whole balance (both purchases and balance transfer) each month he won't be charged that purchase interest.

In effect, therefore, by taking account of the balance transfer offer Mr W gave up the right to a period of interest-free purchase spending – unless he paid off the balance transfer too.

So Mr W hasn't been charged interest on his balance transfer promotional balance. But because he has one, he's no longer entitled to interest free purchases if cleared by the next statement. I think the terms and the transfer offer were clear about that, and Creation didn't

mislead Mr W about it. I also think that, as a result, his account has operated as it should have done. But I'm pleased to see that Creation nevertheless agreed to refund the interest, giving Mr W the chance to move or pay back the balance if he wanted to be able to take advantage of interest free purchases again.

Mr W also says that, now he's cleared the purchase "pot" and doesn't intend to use the card for spending again, he shouldn't have to pay anything until the end of the balance transfer period. But I'm afraid I don't agree about that either. He's still obliged to make the minimum payment each month – which is the greater of £5 or 1% of the outstanding balance. The balance transfer offer said

*"To keep your balance transfer rate, you'll need to stay within your credit limit and pay at least the minimum amount on time, or you may lose your promotional balance transfer rate."*

The balance transfer offer meant Mr W wouldn't be charged interest for 20 months. But he still had to make at least the minimum payment each month – and making the minimum payment isn't the same as paying interest. Because he's not paying interest, the balance will come down more quickly. If he doesn't make the minimum payment, Creation may remove the 0% rate and charge him standard interest on the balance transfer amount.

Mr W says that this isn't what other credit card companies do, and questions why Creation is operating differently. But in my experience it is standard for credit card companies to require monthly payments on promotional balances at 0% and I don't think Creation is acting unfairly, or outside the terms of the agreement, in requiring Mr W to make them.

### **my final decision**

For the reasons I've given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 September 2017.

Simon Pugh  
**ombudsman**