

complaint

Mrs K has complained about interest she's been charged by Creation Financial Services Limited on her credit card.

background

Mrs K holds a credit card provided by Creation. She usually clears the full outstanding balance every month so she isn't charged any interest.

In March 2018 Mrs K had a balance on her credit card of £268.15. Unfortunately, on this occasion she didn't make any payment by the due date. She actually paid £268.15 to Creation twice, but the payments were six days late.

In April 2018 Creation charged Mrs K £36.61 interest. She complained that the interest hadn't been calculated correctly. Creation didn't uphold her complaint and she referred it to this service.

our initial conclusions

Our investigator didn't recommend the complaint should be upheld. She thought the interest had been calculated in accordance with the terms and conditions of the credit card.

Mrs K didn't agree with our investigator's recommendation.

my findings

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

The credit card terms and conditions say interest is calculated "*on the average daily outstanding balance since the previous statement date*". They go on to say interest won't be charged "*if you pay off the whole balance on the Statement and on the previous Statement by the payment due date shown on your Statement*".

The effect of the terms and conditions is that, if a payment is made late, Creation can charge interest on the average balance for the month to which the payment relates and on the average balance during the following month.

In April 2018 Mrs K hadn't paid off the whole balance on her previous statement by the due date. This meant Creation was entitled to charge her interest on her average balance between the dates of her statements in February and March because she hadn't paid off the balance on that statement by the due date. Creation was also entitled to charge her interest on her average balance between the dates of her statements in March and April because she hadn't paid off the balance on her previous statement by the due date.

Mrs K made purchases on her credit card in late March 2018 which increased the balance to over £2,000. The average balance on her card for the period covered by her March statement was £231.07 and she was charged interest at 1.453% amounting to £3.36 for that month. But the average balance for the April statement was £2,288.66 so interest for that month at 1.453% amounted to £33.25. I'm satisfied Creation correctly calculated interest for March and April.

When it gave Mrs K its final response to her complaint Creation endeavoured to explain to her how it had calculated the interest. The explanation wasn't correct. It only referred to interest for one month and it quoted the wrong interest rate. It's disappointing that Creation didn't give Mrs K correct information when it responded to her complaint. However, this didn't cause her any financial loss because the interest she'd been charged was correct. It would have caused Mrs K some trouble and upset but I'm not persuaded this was sufficiently material to justify a payment of compensation to her.

my final decision

For the reasons I've given, my final decision is I don't uphold this complaint. I make no award against Creation Financial Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 1 March 2019.

Charles Bacon
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