

complaint

Mr C is unhappy that Creation Financial Services Limited (Creation) declined a number of transactions he tried to make on his credit card.

background

I issued my provisional decision on this complaint on 31 October 2019, a copy of which is attached below and forms part of this decision.

In summary, I said it was reasonable for Creation to have a policy in place that allows them to decline transactions for security purposes. They'd made their decisions in line with their policy, and I hadn't seen anything to suggest this policy was applied unfairly.

But I felt that Creation should've made it clear in their terms and conditions that they may need to review some transactions before approving them, and that some transactions may be declined. Had they done so, Mr C could've made an informed decision how and when to use his card.

I agreed that the £20 Creation had already paid Mr C was reasonable compensation for not making it clear that some transactions may be delayed or declined. And I agreed Creation should also credit Mr C with the reward points he would've had for any declined transactions that would've been approved if he'd been able to contact Creation about them. But I didn't think Creation should credit Mr C with any reward points for transactions that would never have been approved, or for any transactions Mr C chose not to make on his card.

Both Mr C and Creation have been given the opportunity to comment on my provisional decision.

Creation accepted my provisional decision, but Mr C didn't. He says the number of declined transactions is not limited to the two detailed in his original complaint but is greater than 10. He's also said that Creation haven't been 'open and transparent' about the fact they may delay or decline a transaction, and that they don't have any mechanism to contact customers 'out of hours' – they hadn't contacted him within 24 hours of declining a transaction.

Mr C feels Creation have caused him detriment, because he hasn't benefited from reward points on transactions he chose not to make with his Creation card because he had no confidence in Creation approving the transaction; and they've caused him embarrassment by declining transactions.

Mr C also feels that he's received a 'sub-standard service' and there have been 'systematic failings' from Creation because they don't have a 24-hour support team; and because their terms and conditions have unacceptable omissions.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've responded to the points raised by Mr C below.

Mr C has referred to multiple transactions that've been declined by Creation, but he's only provided evidence of two of these. While I don't doubt that Mr C has had further transactions declined, without any evidence I'm unable to look at whether these would've been approved if Mr C had been able to speak to Creation, or if these would never have been approved because of Creation's risk criteria. Because of this, I'm only able to consider the transactions I have seen the evidence for.

I agree with Mr C that Creation's terms and conditions didn't say they could delay or decline a transaction but, for the reasons explained in my provisional decision, I think that the £20 Creation have paid him is fair and reasonable compensation for this. I can't tell Creation to put a 24-hour helpline in place – this isn't something we can reasonably ask them to do – and this will mean that there will be occasions when Creation can't contact Mr C within 24-hours of a delayed transaction, because they won't have staff working.

I understand Mr C feels embarrassed that Creation have declined some transactions, but Creation have said they have risk criteria in place which caps spending for high risk purchases. This is for consumer protection, and not for any other reason, so I can't say this is unreasonable.

Mr C feels he can no longer use his card as he would like, because Creation may delay or decline a transaction, and because of this he feels he's not getting the benefits he pays for. I appreciate how Mr C feels, but I can't tell Creation to credit him with the reward points for transactions they haven't had the opportunity to process because I can't look at whether these transactions would've been successful or not.

Mr C also feels that Creation have caused him detriment because he hasn't benefited from reward points on transactions he chose not to make with his Creation card; and that they've caused him embarrassment by declining transactions.

Mr C has also commented that Creation have failed to implement the European SCA Directive. While this is noted, the failure to implement required regulations is a matter for the regulator – the Financial Conduct Authority. So I won't comment on this in my final decision.

While Mr C's comments have been considered, they don't change my provisional decision.

my final decision

For the reasons explained above I uphold Mr C's complaint. Creation Financial Services Limited should credit Mr C with the reward points for the declined £372.96 transaction on 9 February 2019.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 January 2020.

Andrew Burford
ombudsman

copy of provisional decision

complaint

Mr C is unhappy that Creation Financial Services Limited (Creation) declined a number of transactions he tried to make on his credit card.

background

Mr C has complained that Creation have declined a number of transactions on his card, despite him being within his credit limit. He's also unhappy that the declined transactions took place outside of office hours, so he wasn't able to contact Creation about them. He's said this has caused him embarrassment and he's lost out on reward points because of this.

Mr C would like Creation to provide a 24 hour contact number and prompt verification of any transactions. He'd also like Creation to give him the reward points he missed out on because of the declined transactions, and for transactions where he used another credit card because he had no confidence in Creation authorising them.

Creation apologised for the problems Mr C has encountered, but said certain transactions were blocked due to security checks. In these circumstances they said they attempt to contact customers within 24 hours to verify the transaction is genuine, before the transaction is authorised. But their security team is only available from 9am to 5pm Monday to Friday, so transactions that are blocked for security reasons outside of these hours would be delayed. They've credited Mr C's account with £20 by way of an apology for this.

Mr C was unhappy with Creation's response, and has brought his complaint to the Financial Ombudsman Service.

Our investigator found Creation could've done things better. He didn't think that Creation had let Mr C know, when he took out the card, that transactions may be declined for security reasons or that they may need additional verification. He didn't think it was reasonable that Creation expected their customers to know this. He thought the £20 Creation had paid Mr C was fair for the distress and inconvenience caused, because Mr C was able to mitigate the impact by using a different payment method.

He also thought Creation should credit Mr C with the reward points he would've had if the transactions hadn't been declined. But he didn't recommend that Creation credit Mr C with reward points for the transactions where he chose to use an alternative payment method, as Creation weren't given the opportunity to provide a successful payment. He also said that we weren't able to tell Creation they must put a 24 hour contact number in place, as it isn't something we can reasonably ask them to do.

Mr C didn't agree with the investigator. He said he should have the right to feel confident that transactions will be processed without embarrassment, and that his spending plans shouldn't be affected by Creation's opening hours. He feels he has 'no practical alternative' to now just use his card online because of having had transactions declined in places he regularly uses.

Because of this he says he's not getting the benefits he should be from the card – the reward points and what they can give him. He estimates this costs him in the region of £500 to £1,000 a year in lost benefits. So he says he can't accept any remedy that doesn't include 'redress for transactions made on a different card'.

Creation also didn't agree with the investigator. They say transactions are declined for different reasons. Where a transaction was declined due to their security system, and Mr C couldn't contact them and had to use another card, they'll credit him with the 'lost' reward points. But where transactions were declined due to their risk criteria they say 'even if we operated a 24 hours call centre this block could not be removed'. Because of this Creation don't think it's reasonable they should credit the 'lost' reward points on these transactions.

my provisional findings

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

I've seen evidence of two transactions declined by Creation - £372.96 on 9 February 2019 and £27.20 on 28 February 2019. Both of these transactions were made outside of Creation's normal business hours. Creation say the first transaction was declined because of their security system and additional verification was required; while the second transaction was declined because of their risk criteria.

Creation has said they have caps for high risk purchases, such as spending in bars and restaurants. This is in place for consumer protection and not for any other reasons. They've also said that transactions declined because of these criteria could've been approved had they taken place on a different day.

Creation made their decisions in line with their policy, and I haven't seen anything to suggest this policy was applied unfairly. Because of this, I think Creation acted reasonably. The decision to approve a transaction or not is one that Creation can make in line with its regulator – The Financial Conduct Authority. It isn't the role of the Financial Ombudsman Service to decide what policies financial business should have in place.

But I've seen Creation's terms and conditions and they don't mention declined transactions. And Creation has also said there's no mention in their terms and conditions that they will need to review some transactions before approving them, or that some transactions may be declined for risk purposes. But they consider this to be an industry standard practice.

While I agree this may be industry standard, I also agree with the investigator that it'd be reasonable for Creation to have told Mr C this, especially as transactions outside of certain hours may be delayed as a result. This would've meant Mr C could've made an informed choice as to when and how he used his card.

I agree that Mr C was able to mitigate the impact of the declined transactions by using a different payment method. So I agree with the investigator that the £20 Creation paid him was fair and reasonable resolution for them not making it clear that some transactions may be delayed or declined for security purposes.

I also agree that Creation should credit Mr C with the 'lost' reward points. But this should only be for transactions that would've been approved if Mr C had been able to speak to Creation. Where a transaction would never have been approved because of the risk criteria, even if Creation had a 24 hour contact number; then it would be unfair to ask them to credit the reward points – I don't believe that Mr C should get the reward point benefit from transactions that wouldn't have gone through.

And I don't think that Creation should credit Mr C with any reward points for any transactions where he didn't try to pay using his Creation credit card - I can't say whether these transactions would've been successful or not but Creation were denied the opportunity to process them. So I won't be asking them to take any further action.

my provisional decision

For the reasons explained above I uphold Mr C's complaint. Creation Financial Services Limited should credit Mr C with the reward points for the declined £372.96 transaction on 9 February 2019 only.