

The complaint

Mr J complains that American Express Services Europe Limited (AESEL) charged him a much higher rate of interest on his credit card than he was expecting and didn't provide the service it should have when he tried to contact it about this.

What happened

Mr J entered into a credit card agreement with AESEL in May 2023. He was charged £81.52 in interest on 26 July. This was much more than he was expecting and he says the interest rate was a lot higher than had been quoted in communications with him. He says he then spent a lot of time chasing AESEL about his complaint and he didn't receive a call back as promised.

AESEL issued a final response explaining how interest was charged on the account and said that it hadn't identified any errors. It sent Mr J a letter dated 28 July 2023 setting out further details of how the interest is charged. It explained that if the account is normally paid in full but the cardmember then pays less than the full amount, interest on charges from the previous month's statement will be deferred to the current month. It set out the interest incurred in June 2023 and explained that the July interest charge included the deferred interest from Mr J's June 2023 statement as well as the interest charged in July 2023.

Our investigator didn't uphold this complaint. She said that AESEL is free to set interest rates based on factors such as perceived risk of lending and will have policies in place to do this. But, she said that AESEL was required to make it clear at the outset what interest rate would be charged alongside other key terms. In this case she said that the credit agreement did set out the interest rate and how this would be charged. She also noted that there was a 14-day cooling off period had Mr J decided this agreement wasn't right for him.

Mr J didn't accept our investigator's view. He said his complaint wasn't that the interest rate was wrong and said he knew what he was agreeing to. But he said he didn't think the interest had been charged correctly. He said that his calculations of the APR based on the interest he was charged in the charging period resulted in an APR of 288%, much higher than the rate AESEL quote. He said he hadn't been provided with an explanation of how the charges were calculated. He said his complaint hadn't been correctly logged and AESEL hadn't shown him a duty of care.

There was further discussion regarding the interest charged between our investigator and Mr J but as Mr J didn't accept that he had been charged correctly, he asked for his complaint to be reviewed by an ombudsman.

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.

Our role isn't generally to say what rate of interest a lender should charge or how it should calculate this as these are commercial decisions based on the lender's internal lending

policies. But our role is to decide whether the lender, in this case AESEL, has done anything wrong by how it has applied its terms and conditions and whether it has treated the consumer fairly.

I note Mr J's comments that he knew the interest rate being charged and I can see that the credit agreement clearly sets out interest rates charged and how these are applied to any outstanding balances.

Mr J believes that the interest charged on his account in July 2023 was too high. He has said his balance at the start of the charging period was £742.93 and he then paid off £403.24 during the charging period. This left a balance at the end of the month of £339.69. However, he was charged £81.52 interest. I can understand why, based on these figures, that Mr J feels he was overcharged. But, AESEL has explained that the interest charged in July 2023 wasn't just for the charging period of July 2023 but also included deferred interest from June 2023.

Having looked at Mr J's statements for June 2023, I can see that he had a closing balance of £742.93 with a payment date of 21 July 2023. While he made a payment on 9 July this didn't clear the entire balance. The account terms and conditions set out that interest is charged from the date an amount is charged to the account until this is paid in full but that if the full amount owed on each statement is paid then interest isn't charged. As Mr J didn't pay the full amount owed on his June statement by the required payment date, interest was charged on the June spending. AESEL has explained how the deferred interest was calculated and that this resulted in deferred interest for June of £72.38. So, while I note Mr J's comment about the high amount of interest charged in July, the total interest of £81.52 included the deferred interest from June and the interest that was incurred in July was £9.14.

So, while I understand that Mr J believes that interest has been charged incorrectly, based on the evidence I have seen, I do not find I can say that AESEL has done anything wrong or treated Mr J unfairly.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 25 March 2024.

Jane Archer
Ombudsman