

The complaint

Mr F complains that Creation Financial Services Limited (“Creation”) misallocated his payments and provided poor customer service when he sought clarification.

What happened

Mr F has a credit card account with Creation which has a flex facility. This allows customers to select eligible transactions and spread the cost of these over a period of time. For flexed transactions which are repaid within three months no interest is charged. Those which are repaid over a longer period incur interest charges. There is also a fee for setting up a flex arrangement.

Creation has set out how it allocates payments as follows:

1. To any Flex payment due that month;
2. To any other balances on your account such as purchase, cash or balance transfers. The balance with the highest interest rate will be paid first and then work down to lower interest rates;
3. Any over payment left after these will be put towards any Flex balance remaining and will go towards the Flex ending the soonest.

Mr F’s flex transactions included one which was for three months and one over three months. He spotted an unexpected sum coming out of his account and he contacted Creation. It took some time to get clarification from Creation and it asked him for details of payments which Mr F felt was unreasonable. Creation said his payments had been allocated in line with the terms and conditions of the account, but Mr F did not agree.

He made a complaint to this service where it was considered by one of our investigators who didn’t think Creation had misallocated the payments but he believed the customer service it had offered had been unsatisfactory. He recommended Creation pay Mr F £75.

Mr F didn’t agree and asked that his complaint be considered 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.

I also have to take account of law and regulations, regulators’ rules, guidance and standards, and codes of practice and good industry practice, when I make my decision. And I want to assure Mr F, if I don’t address every point that’s been raised, it’s not because I haven’t thought about it. I have considered everything that’s been said and sent to us. But, I’m going to concentrate in this decision on what I think is relevant and material to reaching a fair and reasonable outcome.

Furthermore, I should make it clear that the role of the Financial Ombudsman Service is to

resolve individual complaints and to award redress where appropriate. I do not perform the role of the industry regulator and I do not have the power to make rules for financial businesses or to punish them.

Having considered the information and evidence presented to me I consider that Creation did not handle Mr F's requests well, but I do not think it misallocated his payments.

I believe the terms and conditions relating to flex payments are relatively straightforward, but I can see that applying them can cause a degree of confusion.

For each flex transaction there is a minimum monthly payment due in addition to a monthly payment payable on what might be described as routine purchases. Mr F also had 0% balance transfers on his account and so there were further monthly sums due. That means that any payment Mr F made had to be allocated between several separate elements of his account.

To deal with this Creation set out basic rules on how payments are allocated and these I have set out above. One of the criteria is to endeavour to allocate money against the sums which attract the highest rate of interest after various minimum payments have been paid.

This means that the payment due on the flexed transactions are paid first. That does not mean any outstanding balance on the flexed payments are paid first, only the agreed monthly repayments. Any money over and above the sums due for the flex transactions are then allocated against payments due on the other balances with the money going first to those with the highest rate of interest. If there is a surplus then it is used to reduce the sum due on any flex transactions.

I appreciate that Mr F may have wished his payments, especially those larger ones to be allocated in a different way, but that is not what the terms and conditions say. Having reviewed the analysis of Mr F's monthly payments and their allocation I cannot safely conclude that they were not allocated in line with the terms and conditions of the account. As such I cannot say that Creation did anything wrong in this regard.

However, the level of customer service was not what I would expect from Creation. It was unable to open an attachment from Mr F due to security concerns, but it failed to let him know this. It did send him a final response letter setting out how the payments had been allocated, but this took some time. I agree with our investigator that Mr F is entitled to compensation for the distress and inconvenience he suffered due to the poor customer service and I agree that £75 is fair and reasonable.

Putting things right

Creation should pay compensation for the distress and inconvenience Mr F suffered due to its handling of his request for clarification.

My final decision

My final decision is that I uphold this complaint and I direct Creation Financial Services Limited to pay Mr F £75.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 31 January 2025.

Ivor Graham

Ombudsman