

The complaint

Mr S complains about NewDay Ltd reducing the credit limit on his credit card and not explaining the reasons why.

What happened

Mr S has held a credit card with NewDay for several years. And in March this year NewDay wrote to him explaining his credit limit would be decreased by £500. Mr S complained to NewDay about this as he always repays his full balance, so he wanted to know the reasons why.

NewDay issued their final response and explained Mr S' credit limit was reduced following a review of his account. They said this was in line with the terms and conditions of his credit agreement, and listed a range of reasons Mr S' credit limit may have been reduced. NewDay also said Mr S could get his credit file from credit reference agencies to see copies of the information they'd reviewed and to ensure his credit score is in order. Mr S wasn't happy with NewDay's response, so he brought his complaint to our service.

Our investigator didn't uphold Mr S' complaint. He said NewDay had confirmed Mr S' credit limit had been reduced because he used a minimal amount of it. Our investigator didn't think this decision was unfair because it was in line with the terms and conditions of Mr S' credit card.

Mr S disagreed with our investigator. He said NewDay's final response letter had caused him distress because it made him believe there may have been adverse data on his credit file. He was also unhappy NewDay hadn't confirmed the reason for the credit limit decrease to him when they had given that information to us. Mr S also mentioned he had another credit card with a larger credit limit that hadn't been reduced despite him not utilising the full amount.

Our investigator wasn't persuaded NewDay had treated Mr S unfairly, so his complaint was passed to me to investigate.

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.

It's clear Mr S is very disappointed in NewDay's decision to reduce his credit limit. And while I've noted his strength of feeling on the matter, I'm not persuaded to uphold his complaint. I know this isn't the outcome he wanted, but I'll explain my reasons below.

In reaching my decision, I've considered the terms and conditions of Mr S' credit card account. That's because they set out how the account should be managed by NewDay and Mr S. And in order for me to decide that NewDay has treated Mr S unfairly, I have to be persuaded that they acted outside the remit of this agreement.

The terms and conditions of Mr S' credit card account explain NewDay will review their customers accounts from time to time - and these review may result in credit limits being increased or decreased. The terms and conditions also list a number of reasons that could cause a credit limit to be decrease, and they include how the account is managed, information from credit reference agencies - to name a few.

Our service can't tell NewDay who they should or shouldn't lend to. We also can't tell them how much they should lend to their customers. All we can do is decide whether Mr S was treated the same as other customers with similar circumstances. NewDay told our service Mr S' credit limit was reduced because he didn't utilise the full amount. So they didn't think it would be a responsible lending decision for the credit limit to stay the same. Taking this into account, I'm persuaded Mr S has been treated fairly. That's because the terms and conditions of his account say NewDay can amend the credit limit following a review - and that can include how regularly the account is used and how it's managed. I appreciate Mr S pays his full balance each month. But ultimately it's for NewDay to ensure they lend to their customer's responsibly. And I don't consider NewDay acted unreasonably when they removed part of the credit limit Mr S didn't use.

Mr S is also unhappy NewDay didn't clearly explain why his credit limit had reduced. He said listing a variety of reasons and referring him to credit reference agencies caused him distress. I can see why it may have been distressing for Mr S to not understand why his credit limit was reduced. And I understand it may have caused him to believe there were adverse markers on his credit file. But I don't agree NewDay acted unfairly when they didn't give him a specific answer.

Lending decisions are based on commercially sensitive information. So it wouldn't be appropriate for businesses such as NewDay to share this with their customers. And it's for this reason we wouldn't have expected NewDay to give Mr S more information than what was provided in their final response letter. I appreciate it wasn't specific, but it did give Mr S an indication of the possible reasons - and in turn the opportunity to determine which reason best applied to his circumstances.

I know Mr S is disappointed NewDay provided us their reasoning before him. But like the consumers who use our service, businesses also have the right to send us information in confidence. And had our investigator not given Mr S the specific reasoning behind NewDay's decision, I may not have mentioned it in my final decision for the reasons stated above.

I've taken on board what Mr S has told us about his other credit card. But this is with a different provider. And it's down to individual credit card providers to set their own criteria for lending. So the decision of Mr S' other credit card provider doesn't persuade me that NewDay have done anything wrong.

Having considered everything, I'm satisfied NewDay treated Mr S fairly. So I won't be asking NewDay to do anything to put things right.

My final decision

For the reasons set out above, I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 January 2020.

Sarrah Turay
Ombudsman