

The complaint

Mr S complains that NewDay Ltd didn't close his Aqua credit card account when he asked it to. Instead, it sent him notice that it was reducing his credit limit.

What happened

Mr S had an Aqua credit card, which is issued and administered by NewDay. In August 2019 he made an online request to close the account, and received an acknowledgment. A few weeks later he received notification that his credit limit had been reduced. It wasn't until a few weeks after that that his account was closed.

When Mr S raised this with NewDay, it explained that it had suspended his account when it received his request to close it - that is, he wouldn't have been able to use the account. It would generally wait 90 days after the account balance was reduced to zero before finally closing an account. It accepted that it shouldn't have written to Mr S about a credit limit reduction and apologised for its error in doing so.

Mr S didn't think NewDay had done enough to resolve his complaint. He said he was concerned that, by keeping the account open, there was an ongoing fraud risk. He asked this service to look into things.

One of our investigators considered what had happened. Whilst she agreed that NewDay hadn't explained things very well and shouldn't have written to Mr S about a reduction in his credit limit, she didn't believe this warranted a payment of compensation. Mr S didn't agree with the investigator's conclusions and asked that an ombudsman review them.

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. Having done so, however, I've reached the same overall conclusion as the investigator did, and for similar reasons.

I'll deal first of all with the closure of the account. Perhaps understandably, Mr S expected that to happen as soon as there was a zero balance on the account. NewDay explained that its process was to suspend the account and wait until 90 days had passed. I don't believe that's unreasonable. It means that any pending transactions (including those which might have been delayed) can still be processed, as can any outstanding refunds. If there were any outstanding transactions to be processed, closing the account immediately might cause difficulties in processing them. In saying that, I acknowledge of course that there were none here, but NewDay cannot have known that, and it wouldn't be practical to adopt different processes for different customers.

Whilst I acknowledge too Mr S's comments about potential fraud on the account, that was of course a risk which had been present all the time the account was open. Since the account was suspended pending closure, it was very much reduced.

NewDay accepts it shouldn't have reduced Mr S's credit limit. Since the account was suspended, it was of no effect anyway - but also inappropriate. NewDay explains that the decision to reduce Mr S's credit limit had been made before he asked for the account to be closed.

The main issue I have to consider, therefore, is whether this merits any compensation. The investigator didn't think it did, and I agree. In my view, the inconvenience of having a credit limit reduction on an account that Mr S wasn't using and couldn't use was minimal. I accept the position was frustrating and confusing for him, but I don't think that is enough that I should require NewDay to compensate him.

My final decision

My final decision is that I don't require NewDay Ltd to do anything more to resolve Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 3 September 2020.

Mike Ingram
Ombudsman