

The complaint

Mrs T complains that the interest rate NewDay Ltd charge on her store credit card is too high and her payments are not reducing the balance she owes.

What happened

Mrs T has held a retail store card since around 2000. While originally provided by a high street retailer, Mrs T says the account was taken over by NewDay in or around 2012/2013. Since then, NewDay have, on various occasions, increased the interest rate charged on Mrs T's account.

Mrs T says she's always maintained her payments to the account as they fall due. But as the interest rate has increased, a greater proportion of her payments have covered interest costs and the balance she owes has reduced more slowly.

Mrs T complained to NewDay in March 2021. She told them she was unhappy with the interest rate they were charging on her account. She wanted NewDay to either reduce or stop the interest they were charging.

In their response, NewDay didn't uphold Mrs T's complaint. They explained how interest was calculated and how she could reduce or avoid future interest charges by increasing the amount she paid each month. They said the interest rate is applied in line with their terms and conditions and they didn't agree they'd made an error.

Mrs T wasn't happy with NewDay's response. So, she decided to refer her complaint to this service. She said NewDay had been overcharging interest for a considerable number of years.

Having considered all the information provided by Mrs T and NewDay, our investigator didn't think NewDay had done anything wrong and that any increases to the interest rate they charge were made in accordance with their terms and conditions. She didn't think NewDay needed to take any action.

Mrs T didn't agree with our investigator's findings and asked for her complaint to be referred to 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.

Credit and store card providers are able to vary their terms and conditions, including the interest rate they charge. Interest rate changes can occur for various reasons. These may include where the card provider undertakes a repricing exercise or following a Bank of England base rate change.

There are various rules around the circumstances in which a card provider can change the interest rate on a credit or store card account. One of the key requirements is that NewDay has to have permission in the credit agreement to make the change.

I've considered the credit agreement that applies to Mrs T's account with NewDay. It says, *"We may make changes to this Agreement, including the interest rates"*. It goes on to explain

the circumstances where a rate change may be applied. These include, *“to reflect an actual, or reasonably expected change in our underlying costs”* and *“where we have good reason to think that you are not making sufficient payments to pay your balance down in a reasonable period”*. So, I believe this means NewDay could vary the interest rate they charge.

Industry guidance suggests that where an interest rate is increased due to re-pricing, NewDay should give at least 30 days’ notice of any increase. They should tell Mrs T she can opt-out and give her at least 60 days to do that.

NewDay have confirmed they wrote to Mrs T on 14 July 2017 to tell her the interest rate they were charging would be increased. They gave her until 19 September 2017 to opt out. Should Mrs T choose to opt out, she had that period to repay the amount she owed at the existing interest rate. While NewDay have been unable to provide a copy of the letter they sent to Mrs T, they have provided a copy of the letter wording. Their file records show that this was sent to Mrs T at the same address detailed on her account statements.

I’ve considered the wording of the letter they sent, and I believe it complies with the industry guidance at the time. So, I can’t reasonably say that NewDay did anything wrong when they increased the rate on Mrs T’s account. They were entitled to do that. And while Mrs T did have the option to either repay or refinance the amount she owed; she didn’t do that here.

There are circumstances where NewDay may wish to consider reducing or waiving the interest they charge. This is normally where it’s established that Mrs T is in financial difficulty and is struggling to maintain her contracted payments. NewDay’s file notes show they offered to review Mrs T’s financial situation. But Mrs T confirmed she was able to maintain payments and wasn’t struggling financially. So, I wouldn’t expect NewDay to have reduced the interest they charged.

There is evidence that NewDay suggested to Mrs T she increase her monthly repayments to a level higher than she’d previously been paying. This is what I would expect to see from a lender acting responsibly. They told her this would help to reduce the amount she owed more quickly and also reduce the amount of interest charged. But Mrs T chose not to do that here.

Ultimately, NewDay are entitled to decide the interest rate they charge. That is a commercial decision, and not one this service is able to influence. NewDay appear to have given the required notice to Mrs T ahead of applying any increased interest rate. This gave her the opportunity to opt out of any increase and consider, where possible, refinancing at cheaper rates any remaining balance she couldn’t repay within the notice period.

I do acknowledge Mrs T’s strength of feeling on this matter. She’s made it clear that she believes the interest rate charged to her account is very expensive. But as I’ve explained, I can’t find that NewDay did anything wrong here or treated her unfairly. I appreciate Mrs T will be disappointed, but I shan’t be upholding her complaint.

My final decision

For the reasons set out above, I don’t uphold Mrs T’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs T to accept or reject my decision before 31 August 2022.

Dave Morgan
Ombudsman