

The complaint

Mr B complains that the interest rate NewDay Ltd (trading as Aqua) charges on his credit card is too high.

What happened

Mr B has held a credit card with NewDay since April 2019. In April 2022 it told him it had decided to increase the interest rate on his account. The interest rate increased several further times over the next few months in line with changes to the Bank of England base rate. Mr B complained in December 2022 as he wasn't happy with the rate of interest he was being charged. NewDay said it had reviewed his account but it hadn't found any errors. Despite that, it decided to refund about £75 in interest and fees as a gesture of goodwill. Mr B remained unhappy so approached this service.

Our investigator didn't uphold Mr B's complaint. She was satisfied there had been no bank error and the rates NewDay had charged were in line with the terms and conditions of his account.

Mr B didn't agree with our investigator's view, so his complaint has been referred to me for a final decision. He felt NewDay were exploiting vulnerable people by charging unreasonable rates of interest.

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, I've decided not to uphold it. I realise this will come as a disappointment to Mr B but for the reasons I provide below, I don't think NewDay has treated him unfairly.

Credit card providers are able to vary their terms and conditions, including the interest they charge. Interest rate changes can occur for a number of reasons. The card provider might undertake a re-pricing exercise, or it might increase its rate following a change in the Bank of England base rate.

There are various rules around the circumstances in which a card provider can change the interest rate on a credit card account. One of the key requirements is that the card provider has to have permission in the credit agreement to make the change. Another is that the customer needs to be made aware of the specific circumstances in which the card provider might look to exercise its right to change the interest rate.

So, I've carefully considered the credit agreement Mr B has with NewDay. The agreement says NewDay may make changes to it, including to the interest rates, fees and all other terms. It goes on to explain the circumstances where a rate change may be applied, including "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'm satisfied NewDay informed Mr B when

and why it might vary the interest rate it charges.

The credit agreement also says that NewDay would let Mr B know of any planned changes at least 30 days before it makes it. This is in line with standard industry guidance, which suggests that where an interest rate is increased due to re-pricing, businesses should give its customers at least 30 days' notice of any increase. It should also tell its customers they can opt-out and give them at least 60 days to do that.

In this case, I can see that NewDay wrote to Mr B in April 2022 to tell him the interest rate it was charging would be increased. It explained what it was planning to do and why, and it gave Mr B 60 days to opt out. If he chose to opt out, it said it would close his account and he could pay off the balance within a reasonable period at the existing rate.

I've considered the wording of the letter NewDay sent, and I'm satisfied it contains everything I'd expect to see in it, in accordance with the credit agreement it had with Mr B. So, I can't reasonably say that NewDay did anything wrong when it increased the rate on Mr B's account. NewDay was entitled to do that. And while Mr B had the option to either repay or refinance the amount he owed, he didn't do that.

Likewise, NewDay was entitled to increase the interest rate on Mr B's account in line with any increase in the Bank of England base rate. The credit agreement says its rates are linked to the Bank of England base rate so, if that rate changes, it will change its rates by the same amount. Having seen the statements it sent to Mr B throughout 2022, I can see that NewDay notified him each time it did that in accordance with the agreement it had with him. So, again, I can't say that NewDay did anything wrong when it increased the interest rate on Mr B's account in these circumstances.

I do acknowledge Mr B's strength of feeling on this matter. He's made it clear he believes the interest rate NewDay charges on his account is very expensive. But as I've explained, I can't find that it did anything wrong here or treated him unfairly. Ultimately, NewDay are entitled to decide the interest rate it charges. That is a commercial decision, and not one this service is able to influence. It follows that I won't be upholding this complaint.

My final decision

For the reasons set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 September 2023.

Richard Walker
Ombudsman