

The complaint

Mr G complains about NewDay Ltd, trading as Aqua, increasing the interest rate on his credit card shortly after they increased the credit limit on his account.

What happened

In April 2023, Mr G and NewDay agreed a higher credit card limit.

In July 2023, NewDay informed Mr G that the credit card interest rate would be increasing.

Mr G says that, although he may have asked for a higher limit, he might've made a different decision if he'd known NewDay were going to increase the interest rate so soon after. Mr G feels NewDay must've had some idea they were going to increase the rate.

Mr G complained to NewDay. They said they regularly review customer accounts in line with the Terms and Conditions of the Credit Agreement and they apply interest rates that are appropriate to a customer's circumstances. They wouldn't give Mr G the exact reason for the increase but explained that when they decided to amend the interest rate on his account, they considered:

'several factors including but not limited to how you have managed your card, information held at the Credit Reference Agencies, and our internal risk strategies'.

Mr G brought his complaint to our service. He explained that he always makes at least the minimum payment. And he feels NewDay should've warned him of their intention to increase the interest rate, that this is irresponsible lending and he's been treated unfairly.

Mr G asked our service to compel NewDay to either reverse the interest rate increase or put him in the position he would've been in had they not irresponsibly offered a limit increase. Also, he would like to know the reason the increase occurred.

However, our investigator didn't uphold his complaint. She explained that she couldn't tell NewDay to do anything differently.

As Mr G remains dissatisfied, this case has now been referred to me to look at.

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 recognise Mr G's frustration here but as explained by our investigator, there are limits on how our service can help here. This is because we're not the financial services regulator and business are entitled to make commercial assessments and decisions. Also, they don't have to explain commercially sensitive information to either a customer or our service.

We can though consider each individual case and, where we think a business has acted unfairly or acted irresponsibly, decide what should be done to put right any financial or non-financial losses that a consumer has experienced.

I recognise Mr G's dissatisfaction and, because of the timing of the interest rate increase, suspicion of unfair business practice. However, I'm unable to uphold his complaint. This is because:

- The terms of the agreement between NewDay and Mr G state that NewDay can change the interest rate and specifically say:
 - *'If we are increasing an interest rate other than because of a change in the Bank of England Base Rate and you don't want to accept the new rate, you can tell us this within 60 days of us telling you about it. You can then repay what you owe us at the unchanged interest rates'*
- NewDay gave Mr G the required notice:
 - Their letter dated 24 July 2023 advising Mr G that the interest rates on his Aqua card was increasing and would be effective from 29 September 2023. Mr G was advised that if he wished to opt out he needed to let Aqua know by 27 September 2023 and they would close his credit card so Mr G could continue to repay the balance at the previous interest rate.
- NewDay's 24 July 2023 letter sets out (see below) some of the assessment factors NewDay say they take into consideration. As mentioned above NewDay are entitled to have an assessment criteria to make commercial decisions and it's for the regulator to look at the way they apply it and whether it's fair to consumers.

However, I don't think any of the factors the letter sets out are unreasonable. I do though appreciate Mr G feels it's unfair business practice to increase a limit and then subsequently increase the interest rate. Also, I recognise increased spending with flexibility for lower payments, which is listed as a factor and appears to apply to Mr G, may have attracted him to increase his credit limit.

- *'There are multiple factors that our team look at when assessing the most appropriate interest rate for each of our customers. The factors that we have considered when increasing your interest rate are based on how you manage credit with us and with other lenders. These may include:*
 - *Not making payments on time, exceeding your credit limit, or sudden increases to your spending without increasing your payments as well.*
 - *The way you use credit, such as frequently making cash transactions.*
 - *Changing your financial behaviour elsewhere. For example, increasing the amount of credit you use elsewhere or having trouble managing other financial products well'.*

Although I recognise Mr G's frustration here, and it's his prerogative to raise his concerns about NewDay with the financial services regulator, having considered the above and all the information on file I'm not upholding this complaint.

My final decision

My final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 March 2024.

Paul Douglas
Ombudsman