

The complaint

Mr T complains that NewDay Ltd trading as Debenhams (NewDay) has charged him too much interest on his credit card account. Mr T wants NewDay to agree a fixed monthly interest rate.

What happened

Mr T holds a credit card account with NewDay under the Debenhams trading name. In November 2023, Mr T complained to NewDay that it had overcharged interest on his account. Mr T was also unhappy that NewDay incorrectly said he had missed a payment. Mr T wanted NewDay to refund the interest that he had overpaid and give him a fixed monthly interest rate.

NewDay didn't agree that it had made a mistake but as a gesture of goodwill it refunded the interest charged for October 2023 and November 2023.

NewDay explained that it charges interest as Mr T has not cleared the full balance on his account. NewDay suggested that Mr T set up a direct debit to avoid missing any payments. It also said he could avoid falling into persistent debt by increasing his monthly repayments.

Our investigator didn't uphold Mr T's complaint. He said that while Mr T often paid more than his minimum payment, he never paid the balance in full. For this reason, NewDay has charged interest in line with the terms of the account.

Our investigator thought NewDay charges Mr T a fixed interest rate each month but the amount fluctuates depending on the changing outstanding balance.

Our investigator told Mr T that he didn't think NewDay had said he'd missed a payment. Instead it had suggested that to avoid missing payments in the future, Mr T might consider setting up a direct debit.

Mr T disagrees with the investigation outcome. He questions why NewDay refunded interest for October and November 2023 when it was right to charge interest in the first place. Mr T says again that he has never missed a payment. Mr T says he can't pay the balance in full as he does not have the funds to do so.

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 realise that I have summarised this complaint in less detail than the parties and that I have done so using my own words. The rules that govern the Financial Ombudsman allow me to take this approach. But this doesn't mean I have not considered everything the parties have given to us.

I am sorry to disappoint Mr T but I agree with our investigator that NewDay has not done anything wrong.

The terms of Mr T's credit card account explain how NewDay calculates interest. It charges interest on transactions where the balance has not been paid in full. As there remains a balance on Mr T's credit account each month, interest is charged on any purchases made from the date each purchase was added to his account until the day he pays the balance in full. As Mr T doesn't benefit from any interest free period on purchases he's made, due to having a balance on his account, I can't say that NewDay is wrong to charge him interest in line with the terms of his account.

Although NewDay has previously refunded two months interest, it did so as a gesture of goodwill after Mr T complained. As I don't think NewDay made a mistake, I would not have required it to refund the interest charged. So, I think NewDay has treated Mr T more than fairly by agreeing the refund.

Our investigator is correct to say that NewDay applies a fixed rate of interest to the balance on Mr T's account but the amount of interest charged will change depending on the outstanding balance. Although Mr T would like to pay a fixed amount each month, as NewDay has not made a mistake with the interest it has charged, this isn't something I can fairly require it to do. But if Mr T is struggling to keep up with his repayments and is concerned about his finances, I suggest that he speaks to NewDay.

In NewDay's final response, it said to Mr T that he "may like to consider setting up a Direct Debit so that you don't miss any future payments and ensure that these are made on time." I appreciate Mr T has taken this to mean that he has already missed a payment, but I don't think this is what NewDay intended. As our investigator has told Mr T, there's no evidence to suggest that he's missed any payments. Instead, I think NewDay wanted help Mr T avoid late or missed payments by setting up a direct debit. I think this was a reasonable suggestion.

I am sorry to disappoint Mr T but for the reasons outlined above, I don't consider NewDay has made a mistake or treated him unfairly.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 29 July 2024.

Gemma Bowen
Ombudsman