

The complaint

Mr S complains that American Express Services Europe Limited reduced his credit limit without giving him prior notification. As a result, he exceeded his credit limit, which in turn affected his credit score.

What happened

Mr S had a British Airways branded credit card, issued by Amex. He paid an annual fee of £250 and received rewards points for using the card. Mr S would receive additional benefits if he used the card for spending of £10,000 or more in a year. He says he was generally able to spend that much, and his credit limit (of £17,000 at the relevant time) facilitated that.

In December 2023 Mr S made a payment of £15,000 with his Amex card. That payment took his account balance to within a few hundred pounds of his credit limit, but still within it. The payment was processed but on the same day Amex sent Mr S an email saying that his credit limit had been reduced to £1,400. Amex subsequently told Mr S that his account was over its credit limit and that he should bring it back under that limit as soon as possible. At least one further payment – attempted under a continuous payment authority – was declined.

Mr S noticed that his credit score had reduced, mainly it seems because he was using a high proportion of his available credit.

Mr S paid in full the amount showing on his January 2024 statement – including the £15,000 – on the due date. That was in line with his usual practice.

Mr S complained about what had happened. Whilst he accepted that Amex had the right to reduce his credit limit, he did not think it fair that it had done so without giving notice and in such a way that his account balance immediately and significantly exceeded his credit limit.

Amex said that it had acted within the account terms. It would not reinstate Mr S's previous credit limit.

Mr S referred the matter to this service. One of our investigators issued an initial assessment, recommending that Amex pay Mr S £100 in recognition of the inconvenience to which he had been put and the distress caused. Amex did not accept that recommendation and asked that an ombudsman review the case.

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.

Mr S acknowledges that Amex was within its rights to reduce his credit limit. I accept that was the case as well. But I share his concern about the way in which that happened.

The reduction was applied almost simultaneously with the payment of £15,000. I believe it was applied in response to that payment and not, as Amex said in its email telling Mr S about the change, as a result of a “*thorough review*”. I believe too that it was applied after the payment; if it had been implemented before the payment, that payment would have been declined.

The terms of Mr S’s credit card account said this about reducing the credit limit:

“The credit limit is the maximum amount that you can borrow on your account. We’ll set your credit limit and we can adjust it (up or down) by giving you notice...”

Amex says that in this case it gave Mr S notice of the reduction in his credit limit at the earliest opportunity. It says too that in some cases it may not be possible to provide notice before a reduction takes effect, but that it is sufficient to give notice after the event. It also says that giving too much notice of a credit limit reduction might in some cases lead to an increase in spending which the customer cannot afford.

Mr S says that “*notice*” must mean advance notice. I am inclined to agree with him on that point. If “*giving you notice*” is to have any real meaning, it cannot mean the same as “*without giving you notice*”.

Be that as it may, in my view the real issue here is not whether Mr S was given advance notice of the reduction in his credit limit. It is that the credit limit reduction was applied after the £15,000 payment had been approved – meaning that the immediate effect was to place Mr S over the (new) credit limit. And, because advance notice hadn’t been given, Mr S was not in a position to adjust his behaviour accordingly – for example, by using a different payment method.

I do not believe there was any suggestion in this case that Mr S could not afford to spend up to his credit limit. Indeed, that was clearly not the case, since he paid his credit card bill in full in January 2024. If that had been a concern, it could have been addressed by declining the transaction.

Finally, Mr S has noted that Amex has subsequently increased the annual fee for the credit card and increased the amount which must be spent before a cardholder is entitled to additional benefits. Those matters do not however form part of this complaint, and I make no comment on them.

Putting things right

As Mr S acknowledges, Amex was within its rights to reduce the credit limit. He says that the reduced limit means that the annual fee no longer represents value for money and that it is almost impossible to spend enough to qualify for additional benefits. That, however, would have been the case even if Amex had given advance notice of the reduction in the credit limit.

However, the way in which the limit was reduced – after Mr S had already spent significantly more than the reduced limit – caused distress and inconvenience, for which Mr S should receive some compensation. I note however that no adverse credit information has been registered against his name and that his credit score is likely to have improved with the reduction in his use of available credit.

I therefore agree with the investigator that a payment of £100 is fair in the circumstances.

My final decision

For these reasons, my final decision is that, to resolve Mr S's complaint in full, American Express Services Europe Limited should pay him £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 October 2024.

Mike Ingram
Ombudsman