

The complaint

Mrs F complains that NewDay Ltd trading as Fluid ('NewDay') increased the interest rate on her credit card account twice and didn't give a valid reason for doing so.

Mrs F's also unhappy that NewDay didn't engage with her concerns when she sent them letters by recorded delivery.

Mrs F wants her interest rate reduced and a refund of interest charged.

What happened

In April 2023 Mrs F was informed that NewDay were increasing her credit card interest rate by around 4% from 3 July 2023. Mrs F was advised to telephone NewDay before 1 July 2023 if she wanted to close her account and repay her balance at her existing interest rate.

Mrs F sent NewDay a letter dated 9 May 2023 asking for NewDay to give reasons for the increase and review their decision. She said it would be harder and take longer for her to clear her balance if the new rate was applied. This letter was sent to NewDay by recorded delivery and was received on 18 May 2023. However, NewDay didn't respond.

In November 2023, Mrs F received a further letter saying her interest would increase by around a further 3% from 2 February 2024. Mrs F had the option to avoid this by closing her account by 31 January 2024. Mrs F suffered from ill health and had a car accident, which meant she didn't respond within this timeframe.

On 14 April 2024 Mrs F telephoned NewDay to complain. NewDay sent a final response letter to Mrs F on 24 April 2024 saying they had no record of her letter dated 9 May 2023 and they gave a brief reason for their decision to increase her interest rate. NewDay said their interest rate increase was correctly applied, but refunded two months' interest as a gesture of goodwill.

Mrs F sent a further letter to NewDay which was received by recorded delivery on 28 May 2024. NewDay didn't respond to this letter despite being chased by Mrs F three times. NewDay recently confirmed this letter was received but had been filed incorrectly.

Mrs F referred her complaint to the Financial Ombudsman Service, but our investigator didn't think NewDay had acted unfairly when increasing Mrs F's interest rate and didn't need to disclose their reasons. NewDay recognised their customer service had fallen short of expectations and offered Mrs F £100 for her distress and inconvenience. Our investigator thought this was fair in the circumstances.

Mrs F didn't agree and shared how this matter had an impact on her health as well as taking up a lot of her time to try and sort out. She thought the £100 offered was unreasonable.

The matter came to me to decide, and I asked NewDay for some more information about how they reached their decision.

My provisional decision

I recently issued a provisional decision in relation to this complaint. I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've considered any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

And when reviewing this matter, where evidence is incomplete, inconclusive or contradictory, I have made my decision on the balance of probabilities – in other words, this means I've based it on what I think is more likely than not to have happened given the available evidence and the wider circumstances.

Having considered this matter I intend to uphold Mrs F's complaint in part and intend to say NewDay should pay £175 to Mrs F for her distress and inconvenience. However, I'm not minded to ask them to do more than this. I'll explain why.

It may help to explain that it is not my role to fine or punish businesses or ask them to review their systems or processes, as these are matters for the regulator – the Financial Conduct Authority ('FCA') - to consider. My role is to resolve individual complaints based on what is fair and reasonable in the circumstances of each case.

The FCA's Handbook of rules and guidance ('FCA Handbook') contains a Consumer Credit Sourcebook ('CONC') which sets out how NewDay should handle a risk-based interest rate change.

I recognise Mrs F doesn't feel there were valid reasons for the interest rate increases. I have considered CONC 6.7.16 which requires NewDay to provide Mrs F with "a suitable explanation which may be a generic explanation."

That means NewDay's explanation doesn't have to be detailed. I've noted that in the letters notifying Mrs F of the interest rate changes NewDay said they'd considered how Mrs F used her accounts with them and other lenders, to explain their decision. They also described financial behaviours which might influence their decision and provided Mrs F with a Good Credit Guide for tips and advice on managing her account.

When NewDay responded to Mrs F's complaint in April 2024, they outlined they'd considered how she managed her account, information from the Credit Reference Agencies and their own internal risk strategies.

Overall I'm minded to say Mrs F was given a suitable explanation for both interest rate increases. I recognise it is frustrating for Mrs F not to be able to pinpoint the exact reason, but I wouldn't expect NewDay to share this given it is likely to be commercially sensitive and the FCA does not require them to do this.

The Information Commissioner's Office, an independent body set up to uphold information rights, says that when a consumer has been subjected to an automated decision on important matters, such as NewDay's determination of Mrs F's interest rate here, they have a right to human intervention.

I'm aware that NewDay say they didn't receive Mrs F's letter dated 9 May 2023 when it was first sent, so it's unlikely a manual review was carried out at the time.

I'm minded to say it's more likely than not, given Mrs F's proof of delivery, that the letter of 9 May 2023 was received by NewDay but went astray. NewDay accept that this is what

happened with Mrs F's subsequent letter delivered by recorded post on 28 May 2024 – which enclosed a copy of the first letter.

I'm therefore minded to say that NewDay missed two opportunities to support Mrs F by undertaking a manual review of the decision to increase her interest rate, which I'm inclined to say would have been in line with good industry practice.

I asked NewDay for some information regarding how they made their decision to change Mrs F's interest rate, and I'm minded to say a manual review has now been carried out. This means a human at NewDay has checked the data which led to the interest increases and has confirmed the decisions were made correctly, in line with NewDay's lending criteria. I know it will disappoint Mrs F that this hasn't resulted in a change of outcome, but this isn't something I can force NewDay to do here.

The FCA requires NewDay to assess whether a customer is at risk of financial difficulty before applying an interest increase. In light of this I've considered Mrs F's concern in her letter of 9 May 2023 that she'd find it harder to clear her credit card balance, with the new interest rate. Having done so, I'm minded to say that at the relevant times Mrs F did not meet the FCA's definition for being at risk of financial difficulty – because she was paying her minimum payments on time, sometimes more, and wasn't in (or arranging) a repayment plan.

In NewDay's letters dated April 2023 and November 2023 Mrs F was given the option to opt-out by closing her account and repaying her balance at the existing interest rate. Mrs F didn't do this because she thought she'd need to pay more than she could afford – and although she questioned the changes and expressed dissatisfaction in her 9 May 2023 letter, she didn't chase for a response before the rate changed on 3 July 2023.

I'm minded to say that if communication had been established between the parties before the interest rate changed NewDay might reasonably have reiterated Mrs F's option to opt out and provide options for repayment, particularly where she'd used most of her available credit limit and so couldn't make much use of the card in any event. So, I'm inclined to say the issues with communication led to another missed opportunity to support Mrs F here.

I'm aware that NewDay accept that they've fallen short of everyone's expectations when communicating with Mrs F. NewDay accept they misfiled Mrs F's May 2024 letter and their complaints handler misinformed Mrs F that it'd never been received. NewDay accept they failed to respond to Mrs F's letter dated 9 May 2023, and they didn't respond to Mrs F's attempt to contact them on three separate occasions. I acknowledge they've offered £100 compensation for the distress and inconvenience this has caused Mrs F. I've considered if this is fair.

I'm mindful that there is a general expectation of a level of inconvenience when having to sort something out that has gone wrong. However, I'm minded to say Mrs F has been put to far more inconvenience than I would expect when trying to engage with NewDay about her account. She's had to bring a complaint to this service for her requested manual review to be undertaken and to get to the bottom of what's happened with her correspondence.

I'm sorry to hear that Mrs F has been in ill health and I acknowledge that matters such as these can have an impact on recovery and day to day life and are distressing. Mrs F did say that her health issues made it difficult for her to contact NewDay and an email address would have been her preferred method of communication here. I can't change the options NewDay give their customers for communicating, and I would only expect NewDay to be more accommodating if they knew of the difficulties Mrs F was facing. However I recognise that

Mrs F struggled when sending her letters and speaking on the phone to NewDay, and this meant NewDay's failure to respond was particularly distressing for her.

It is not easy to put a price on how much someone may have been upset or inconvenienced by an experience as these are not quantifiable losses. Bringing everything together, and applying our approach to awards of this nature, I'm inclined to say a more reasonable sum to reflect Mrs F's distress and inconvenience here would be £175."

Responses to my provisional decision

NewDay wanted to clarify that it wasn't part of their process to manually review each re-pricing decision. However NewDay accepted my proposal that they pay Mrs F £175 for her distress and inconvenience.

Mrs F accepted my provisional decision, though expressed ongoing frustration with the way NewDay had approached her letters – which she could prove were received.

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 think it's important to be clear I'm not suggesting NewDay should manually review each re-pricing decision they make.

My provisional findings were that I was satisfied NewDay had undertaken a manual review of their re-pricing decision in relation to Mrs F's account – meaning that a human had considered whether the decision was correct. This did not change the outcome for Mrs F, but it meant she was offered reassurance that there hadn't been a mistake in NewDay's process. I think this was fair in these circumstances.

I acknowledge Mrs F's frustrations that NewDay received her correspondence and then misinformed her about this. I've explained that this misinformation came about because Mrs F's letter had unfortunately been misfiled. I set out in my provisional decision why I thought NewDay's communication with Mrs F – or lack of – caused Mrs F distress and inconvenience. I am still of the view that NewDay should pay Mrs F £175 to recognise this.

In all the circumstances I am not minded to depart from my provisional decision and I adopt my reasoning and findings, which I've set out above, as my final decision.

Putting things right

NewDay Ltd trading as Fluid should pay £175 in total to Mrs F for her distress and inconvenience.

My final decision

For the reasons I've outlined, my final decision is that I uphold Mrs F's complaint in part and require NewDay Ltd trading as Fluid to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 29 April 2025.

Clare Burgess-Cade

Ombudsman