

The complaint

Mr M is unhappy that National Westminster Bank Plc (“NatWest”) reduced the credit limit on his account and with the service he received when he questioned the reduction.

What happened

In December 2024, Mr M made a late payment to his NatWest credit card account. On 6 January 2025, Mr M received a letter from NatWest, dated 24 December 2024, stating that the credit limit on his account would be reduced from £5,050 to £2,216, and that this would take effect the following day, on 7 January 2025.

Mr M wasn’t happy that his credit limit had been reduced. And he also wasn’t happy that when he spoke with NatWest about the matter, he was told that his credit score wouldn’t be affected which he feels was untrue, and that he didn’t receive a callback when promised. So, he raised a complaint.

NatWest responded to Mr M but didn’t feel that they’d done anything by reducing the credit limit on his account. However, NatWest did accept that Mr M hadn’t received the standard of service from them that he was entitled to expect when he’d questioned them about the reduction of his credit limit, including that he didn’t receive a callback when promised.

NatWest apologised to Mr M for this and paid £100 to him as compensation for any trouble, upset, or loss of time he may have incurred as a result. And NatWest also waived the £12 late payment fee Mr M had recently incurred and waived interest on his credit account for two months. Mr M wasn’t satisfied with NatWest’s response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they felt the response that NatWest had issued to Mr M’s complaint already represented a fair resolution to it. Mr M didn’t agree, and so the matter was escalated to an ombudsman for a final decision.

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 M is unhappy that NatWest reduced the credit limit on his account. However, it must be understood that a credit limit isn’t a ‘right’ that an account holder has. Instead, a credit limit is provided to an account holder solely and entirely at the discretion of the credit provider.

What this means is that NatWest have the right to reduce the credit limit on Mr M’s account if they want to do so. And, in this instance, after conducting a review of Mr M’s account management, his wider financial position (as described by his credit file) and in consideration of their own internal appetite for risk, NatWest made the decision to reduce Mr M’s credit limit from £5,050 to £2,216. And, ultimately, I’m satisfied that this was a commercial decision that NatWest were fairly and reasonably entitled to make.

Mr M notes that the reason NatWest felt that he'd made a late payment in December 2024 was because he initially used an incorrect reference number on the payment by mistake. But the fact that Mr M used an incorrect reference number meant that his payment was late. Although it must be noted that because Mr M made the payment correctly shortly afterwards, NatWest didn't report the payment as being made late to Mr M's credit file.

However, the late payment that Mr M made appears to have prompted NatWest to conduct a review of Mr M's account. Following that review, as explained above, NatWest made the decision to reduce Mr M's credit limit. And to confirm, I don't feel that NatWest's decision to conduct such a review, or their subsequent decision to reduce Mr M's credit file based on the factors that they considered in their review, was unfair or unreasonable.

Mr M is unhappy because he didn't receive the letter from NatWest advising that his credit limit would be reduced until the day before the reduction was due to take effect. But I'm satisfied that NatWest posted that letter on 24 December 2024. And while I appreciate that the festive period may have affected how quickly the postal service delivered that letter, this wouldn't be something that I'd consider holding NatWest accountable for.

Furthermore, it must be noted that it's relatively unusual for credit providers to give advance notice of credit limit reductions to account holders, which are most often implemented without any advance notice. This is because if advance notice of a credit limit reduction is provided to an account holder, it can be the case that the account holder will seek to utilise the full amount of their available credit limit before the reduction can take effect, thus preventing the reduction. As such, I feel that NatWest's provision of advance notice to Mr M was generous, even if it was effectively reduced because of the postal delivery delays which were outside of NatWest's control.

Mr M is also unhappy that the reduction of his credit limit has meant that he is now utilising a larger percentage of his available credit limit than he would have liked, and he feels that his credit score has been affected as a result. But NatWest aren't obliged to take Mr M's personal preference regarding his credit limit utilisation percentage into consideration when deciding how much credit they're willing to provide to him. And neither are they obliged to consider any potential impact of their decision on Mr M's credit score, which is an artifact arrived at by a credit reference agency and so isn't something that NatWest have any direct influence over.

Instead, as explained, NatWest have the right to decide how much credit they are willing to provide to Mr M, and they have the obligation to factually report Mr M's credit limit and his account balance to the credit reference agencies. As such, if Mr M has found himself in the position of utilising more credit than he would like on his credit account, and if the credit reference agencies have adjusted his credit score because of this, then I feel that this is an unfortunate consequence of NatWest exercising their right to reduce his credit limit but doesn't constitute an unfair act by NatWest.

All of which means that I won't be upholding the primary aspect of Mr M's complaint – that NatWest reduced the credit limit on his account – because I'm satisfied that NatWest have the right to reduce Mr M's credit limit as they see fit and that therefore any decision NatWest make to reduce Mr M's credit limit isn't unfair.

Turning to the secondary aspect of Mr M's complaint – the service provided by NatWest when Mr M questioned them about his credit limit – NatWest have apologised to Mr M for the standard of service he received and have paid £100 to him by way of compensation. This seems fair to me, and I can confirm that £100 is commensurate with what I might have instructed NatWest to have paid as compensation for the poor service Mr M received, had NatWest not already made that payment.

Mr M is unhappy that NatWest's agents told him that his credit score wouldn't be impacted by what happened, which Mr M feels hasn't been the case because of how the credit reference agencies have considered his increased credit limit percentage usage. But I feel that in making this statement, NatWest's agents were referring to the fact that NatWest hadn't reported a late payment to the credit reference agencies. And, as explained, NatWest are under no obligation to consider any personal preference Mr M might have regarding the percentage of his available credit limit that he uses, or how credit reference agencies might consider that percentage usage.

I realise this won't be the outcome Mr M was wanting, but it follows that I won't be upholding this complaint or instructing NatWest to take any further or alternative action. This is because I don't feel NatWest have acted unfairly regarding the primary aspect of Mr M's complaint, and because I feel that NatWest have already provided a fair resolution to the secondary aspect of Mr M's complaint. I hope that Mr M will understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 May 2025.

Paul Cooper
Ombudsman