

The complaint

Miss K complains that Nationwide Building Society (“Nationwide”) unfairly added interest to her credit card account and reduced her credit limit after she disputed a transaction.

What happened

In June 2023, Miss K paid £200 to a supplier I’ll call ‘F’ for a bed, using her Nationwide credit card. When the bed was delivered, Miss K saw that it wasn’t the correct one. She tried to talk to F about this, but they didn’t help her or refund her the money. So, Miss K contacted Nationwide.

Miss K says Nationwide didn’t help and kept asking for information which she had already provided. So, she complained to them. Nationwide accepted that they didn’t handle Miss K’s claim fairly and agreed to pay £275 to her; £200 for the payment for the bed and £75 for their poor handling of the matter. Nationwide credited Miss K’s account with this sum in February 2024.

Miss K though complained again as Nationwide reduced her credit limit by £200 in April 2024. She also said Nationwide had charged her interest on the £200 transaction for the bed.

Nationwide didn’t uphold the complaint and so Miss K referred the matter to our service. Our investigator didn’t recommend that Miss K’s complaint about the interest and the credit limit decrease should be upheld. In summary, he said that Nationwide had frozen the interest on the £200 after she had contacted them about what had happened with F. And he said he wasn’t persuaded that Nationwide had reduced the limit because Miss K had disputed the transaction.

Miss K asked for her complaint to be escalated to the next stage. So, it’s been passed to me for a 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.

Miss K originally contacted Nationwide about the problems she’d had with F and the £200 she’d spent on what turned out to be the wrong goods. Nationwide refunded the money to her credit card account, and paid Miss K £75 for what they agreed was poor handling of her claim. I’m satisfied that Nationwide’s offer to put things right for these parts of Miss K’s complaint was fair.

Miss K says though that Nationwide unfairly applied interest to the £200 while it was in dispute. I’ve looked at a copy of her credit card statements (provided to us by Nationwide) for the period from when Miss K paid F £200 to when Nationwide paid her the £275. I can see that on the July 2023 statement that Nationwide had added the comment: *‘the total amount in dispute £200’*, and this remained on the credit card statements until April 2024.

Nationwide has said that adding this marker froze the interest applicable to the transaction. I've not seen anything persuasive to make me think that isn't correct. I note also that the marker was removed a couple of months after the transaction was effectively refunded to Miss K, which means that interest likely was frozen for a further two months.

I've also considered Miss K's claim about Nationwide reducing the credit limit, shortly after her dispute about the £200 payment was resolved.

Nationwide has confirmed that they reduced the credit limit by £200 in April 2024. The setting of a credit limit is a commercial decision for a lender. But it also needs to comply with its regulatory responsibilities to ensure that any credit being offered can be repaid by a consumer sustainably. Circumstances change from time to time so it's right that a responsible lender should regularly review what it knows about a consumer, and how they've historically managed their credit commitments, to decide whether any changes to a credit limit would be appropriate.

I've reviewed the terms and conditions of the credit card account. This sets out that Nationwide can change the credit limit from time to time depending on its assessment of the account and the account holder's financial circumstances. So, based on what I've seen, Nationwide has the contractual right to change the credit limit. I note also that Nationwide wrote to Miss K explaining that they were reducing the limit, which I would have expected them to have done.

Nationwide's decision to do this should have been based on a fair assessment of Miss K's circumstances. Nationwide hasn't been specific on what criteria they used when they decided to reduce Miss K's credit limit; mainly because the information is business sensitive. Some of the more common reasons for a limit to be reduced are a change in credit activity (late payments on the account or a decrease in credit score from information provided by credit reference agencies), account review (based on the lenders' assessment of the consumer's financial situation, credit history or overall risk) or economic conditions (for instance a recession or to reduce the lender's exposure to risk in uncertain financial times). I'm not saying these factors were the reason for the credit limit decrease in Miss K's case, but they are common reasons.

Nationwide suggested to Miss K that she should contact the credit reference agencies if she wanted more information about the decision they took. So, it could be there was a change in Miss K's credit score at that time, although Nationwide also said they checked how the account was being conducted.

I can understand why Miss K was upset with Nationwide's decision. But I've not seen any persuasive evidence that they did this because Miss K disputed the transaction of £200, or because she complained about this to Nationwide. And I haven't seen evidence that Miss K was financially compromised or suffered a financial loss because of their decision. As a result, I don't find that Nationwide acted unfairly by reducing Miss K's credit limit.

My final decision

For the reasons I've set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 20 June 2025.

Daniel Picken

Ombudsman