

complaint

Mrs S says NewDay Ltd (trading as Marbles) agreed to increase the credit limit on her credit card but then also increased the APR twice within a short time. She feels this is irresponsible lending and unfair and she'd like the APR reduced back to the original rate.

background

Mrs S had a Marbles credit card with an APR on purchases of 24.84%. In January 2017 she received a letter telling her the comparable rate was increasing to 29.94% and in July a further letter told her the rate was going up again to 37.94%. The letters said this was based on a review of Mrs S's accounts.

But Mrs S feels this is unfair. And she feels it was irresponsible of NewDay to agree to increase her credit limit when the APR was at the lower rate only to increase it shortly after. She asked for the APR to be reduced back to the original rate.

NewDay says it frequently carries out reviews of its customer accounts to assess the risk. Having done so in Mrs S's case, it considered there was a higher risk and the APR should be increased accordingly. It says this is allowed for under the terms and conditions of the account. And it says Mrs S had the choice each time of accepting the increase or opting out, in which case the rate would have remained the same but the account would have been closed. It didn't agree it had acted unfairly.

Our investigator accepted NewDay was entitled to review the account and to change the APR if it considered it appropriate to do so. This was common practice and a commercial decision that we wouldn't interfere with. But she could see it had given Mrs S the correct amount of notice of the increases. And it had also offered Mrs S the choice of opting out and closing her account if she didn't want to accept the new higher rates. She said she couldn't agree NewDay had acted incorrectly or irresponsibly and so she couldn't ask it to change the APR.

But Mrs S disagreed. She felt it was unreasonable of New Day to increase her credit limit if she'd become a higher risk. And she felt it was unfair to agree an increase in her credit limit at one APR only to increase that APR shortly after. She asked for her complaint to be considered by an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I won't be asking NewDay to change the APR as I'll now explain.

Banks and lenders decided interest rates on a complex number of factors and may vary the rate on any individual account depending on issues such as the customer's credit file, their personal circumstances or their history with the business. And based on that assessment, it will then decide how, or if, it's willing to offer credit and on what terms. That's a commercial decision and, for that reason, I can't interfere with that decision or tell NewDay what the APR should be.

But I can look at whether it's followed its own terms and conditions in the way it's dealt with the change and in this case I'm satisfied it has. The terms and conditions of Mrs S's card

allowed NewDay to vary the rate provided it gave the necessary notice. And I've seen it did give the correct notice when it wrote to Mrs S in January and July 2017. In these letters it also offered Mrs S the opportunity of opting out and closing her account.

I appreciate Mrs S may feel neither of these were suitable options but they were in line with the terms and conditions for the account so I can't reasonably say NewDay was acting incorrectly or being unfair.

I've seen Mrs S says it was unfair to agree to increase her credit limit and then to increase the APR. But at the time Mrs S applied for an increase in March 2017 she'd already been told of the first uplift in the APR so it's reasonable to believe she knew the APR could change and that it wasn't fixed at the rate in place when the limit was increased.

I know this isn't the decision Mrs S was hoping for but I don't agree NewDay has acted irresponsibly so I won't be asking it to do anything more in this case.

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 Mrs S to accept or reject my decision before 9 November 2017.

Cerys Jones
ombudsman