

complaint

Mr B complains that NewDay Ltd trading as Aqua irresponsible increased his credit limit and then increased his interest rate making it difficult for him to repay. He'd like the interest rate returned to the previous rate and any adverse information removed from his credit file.

background

Mr B took out an Aqua credit card in August 2014 with an initial credit limit of £250. The interest rate applicable at that time was 34.9%.

Between May 2014 and September 2016 Aqua wrote to Mr B five times offering to increase his credit limit. Each letter gave Mr B the option of accepting the increase or refusing it and also to ask Aqua not to offer any further increases in the future. Mr B didn't refuse the increases with the result that by October 2016 his credit limit had gone up to £4,200.

In February 2017 Aqua wrote to Mr B to say it was proposing to increase his interest rate to 42.56%. It said the increase had been decided taking a number of factors into account, including the way he managed his card and any other information regarding his card or other credit he had. The letter said Mr B could either accept the increase, in which case it'd come into effect on April 11 or he could reject it. If he did his card would be closed and he'd be required to repay the balance at the original interest rate over a period of time.

Mr B says he thinks Aqua has behaved unfairly. It increased his credit limit but then increased the interest payable to what he saw as an "extortionate" rate. He didn't agree with the reasons it had given for doing so. And he said he'd told Aqua that he didn't want the card at the higher rate and had asked about the terms for closing his card and making the repayments. But he said Aqua hadn't replied before the cut off date of 11 April so he didn't feel it was fair that it had put the increase into effect. He said the higher rate had caused him difficulties with the repayments and as a result he now had a default against his name.

He asked for the interest to be reduced to the original rate, to agree a repayment schedule and for any adverse information to be removed from his credit file.

NewDay didn't agree. It said it regularly reviewed accounts to make sure the correct interest rate was being applied and under the terms and conditions of the credit agreement, it was entitled to change both the credit limit and the interest rate provided it gave the necessary notice. It said it had given Mr B till 11 April to decide whether he was happy to go ahead with the higher rate and if not how to reject it and what this would mean. Mr B hadn't replied to say this was what he wanted to do so the increase had applied. It didn't agree it had done anything wrong or that it had been unfair in the way it had applied the higher rate.

It said it had an obligation to ensure that information provided to the credit reference agencies was accurate. The information it had recorded in Mr B's case reflected what had happened on his account, including that he'd had a default notice, so it said it couldn't agree to change this.

Our investigator said that the terms and conditions allowed NewDay to determine the appropriate credit limit and to change it subject to their giving Mr B 30 days' notice. In this case it had written to Mr B on 11 December to say it was going to increase the credit limit from £250 to £1050. The letter said Mr B could either do nothing and accept the change in

the limit, arrange to have the increases immediately or refuse the increases by returning the relevant slip on the letter. Mr B did nothing so the limit was increased.

On 4 May 2015, 4 September 2015, 1 April 2016 and 29 September 2016 NewDay sent similar letters and as Mr B didn't refuse any of the increases, his credit limit went up to £4,300 Mr B could have refused the increases but hadn't, so the investigator didn't feel Aqua had been unreasonable in raising his credit limit.

With regard to the interest rate, the terms and conditions stated that NewDay may change this or the fees payable under the agreement for any of the reasons set out in clause 3.13. It had written to him on 3 February 2017 to say it had reviewed Mr B's account and had decided to change the rate. She appreciated Mr B didn't agree and thought it was unfair but as this was a commercial decision she said she wouldn't be asking Aqua to change it. And she could see it had offered him the option of keeping his card at the higher rate that would come into effect in 67 days or refusing the new rate in which case his account would be closed and he'd have to repay the balance within a reasonable time but at the original rate. Mr B had said he didn't want the card at the higher rate but he hadn't followed the correct procedure to reject it so she couldn't say Aqua had been unfair in raising it.

And she could see Aqua had written to Mr B several times about his arrears before it applied a default. She thought it had been applied properly so she couldn't ask Aqua to remove it and because of that she wouldn't ask Aqua to remove the details of this from his credit record.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I know this isn't the decision Mr B was hoping for but having done so I won't be asking Aqua to remove the default from Mr B's credit file or change the interest rate on his credit card as I'll now explain.

Mr B took out a credit card with Aqua in August 2014 with an initial credit limit of £250 and with an APR of 34.91%. The terms and conditions for the card allowed Aqua to change both the credit limit and the interest rate subject to it giving the appropriate notice. For that reason provided Aqua complied with the terms and conditions – which it did in this case – I can't say it wasn't entitled to increase the interest rate or credit limit on Mr B's card.

But I've also seen that Mr B believes it was unfair of Aqua to increase his credit limit and then to up the interest rate. He feels it did so knowing he'd be in a difficult position and that the reasons it's given aren't credible.

Aqua has agreed that the reason it gave initially was wrong. But later on it went on to explain it was based on a number of factors including the wider economic climate but also his use of his account. I know that Mr B would like a more detailed explanation but Aqua like any credit provider is entitled to review its customer's accounts and to decide what risk they present and whether that risk is becoming more or less. Looking at Mr B's account in the months before the increase I can see that it was running at or near the limit, occasionally going above his credit limit and with some payments being made late. As a result Mr B's account attracted a number of account charges for this. This is one of the reasons given in the terms and conditions that may lead to an increase so in the circumstances I can't say Aqua was wrong to do so.

And as some of these defaults happened before the new rate came into effect, I can't agree with Mr B that it was the higher rate that was the cause of all the problems.

I can see how unhappy Mr B was with the higher rate of interest. But the letter from Aqua made clear that if Mr B didn't want to accept, he could close his card and then repay it at the original rate. Aqua repeated this explanation in its letter of 21 February so I'm satisfied Mr B knew he could reject it and, if so, the process he'd need to follow to do so. He didn't do so and for that reason I don't think Aqua was being unreasonable in putting the increase into effect.

With regard to the default applied to Mr B's account, I've seen that Aqua wrote to Mr B several times between April and July to remind him that his account was in arrears and to remind him to make payment. But Mr B wasn't willing to do so while he felt his complaint was ongoing so on 27 July a notice of default was issued and, after several more letters to chase up the arrears, the default was applied in 4 November 2017. In the circumstances I don't think this was unfair.

Although Mr B was clearly unhappy with the situation, the terms and conditions of his account required to maintain his monthly payments. In addition Aqua had written to Mr B in June 2017 to say it had completed its investigation and didn't uphold his complaint so he knew that at that point the issue as far as Aqua was concerned, the issue was resolved. In the circumstances I don't think the default was applied unfairly and for that reason I won't be asking it to remove the details of this from his credit file.

I realise this isn't the decision Mr B was hoping for but for the reasons given I won't be asking Aqua to do anything more.

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 B to accept or reject my decision before 5 October 2018.

Cerys Jones
ombudsman