

## **complaint**

Mr H complains that NewDay Ltd told him he could reduce the credit limit on his card and close it when he wanted. But Mr H says this isn't what happened.

## **backgrounds**

Mr H said he wanted to reduce the balance on his card to improve his credit score. He says he'd been in the habit of calling regularly to reduce his limit. But when he called in March 2016 he was told he needed to keep a 5% buffer above his borrowing to allow for any charges and interest. This was new to Mr H who'd regularly reduced the limit without this rule being applied. He said he didn't think NewDay's offer was enough to compensate for the impact it was having on him. He said this was affecting his plan to improve his credit score by reducing the card balance.

NewDay said there needed to be a difference of at least 5% between the amount borrowed and the credit limit to cover any interest charged to the account. If it'd actioned Mr H's request there was a risk of an over limit fee being charged. It felt this was in Mr H's interests. It agreed the policy hadn't always been followed with Mr H's account. It didn't think this would have an adverse impact on Mr H's credit file particularly as Mr H was constantly reducing his borrowing with time. It paid £50 into his account as a gesture of goodwill.

The adjudicator didn't think the need for a buffer would've made any difference to Mr H's decision to close down his credit card. He thought NewDay's requirement for a small buffer was reasonable and was in the interests of Mr H. The slightly higher credit limit was unlikely to adversely affect Mr H's credit score. He also said that businesses take into account a number of factors and would look at more than just this one item on his credit file.

NewDay had nothing further to add. Mr H didn't agree. He said he'd been refused a car loan. As his credit score had improved since he started to reduce the balance owed he felt the refusal must've been affected by the size of his credit limit.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. While I am sorry to disappoint Mr H I agree with the adjudicator for much the same reasons.

I can see that Mr H started to reduce the credit limit on his credit card and to reduce the balance he is borrowing. I can see that he has done this a number of times but there hasn't always been a 5% difference between his borrowing and the credit limit. I can understand that this conflicting advice is frustrating for Mr H. But I don't think it's an unreasonable requirement for NewDay to make and it helps protect Mr H from charges.

I don't think this requirement stops Mr H from reducing his borrowing or his credit limit it just keeps a buffer between the two. So I don't think this would've made a difference to whether or not Mr H decided to close his account with NewDay.

I agree that when banks consider lending they may look at a number of issues including the credit file. While Mr H feels he's being refused a loan because of NewDay's refusal to let him reduce the limit I don't think it's possible to say that is the case as banks look at a number of factors when making a decision about lending.

I can see that NewDay has made a mistake in giving conflicting advice about this on different occasions. I think this has been distressing for Mr H but I think the amount it has paid is fair and reasonable in the circumstances of this case.

**my final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 July 2016.

Colette Bewley  
**ombudsman**