

complaint

Mr F feels the interest rate on his Opus credit card issued by NewDay Ltd is too high. He wants it reduced to 12%, and for the difference in interest he's paid for the past few years to be refunded to him.

background

In 2008 Mr F opened an Opus credit card provided by NewDay Ltd. The terms and conditions at the time showed the interest rate was 37.1%. Clause 18.3 of the card terms and conditions says the business can change the interest rate and charges as long as it gives 30 days' notice to its customers.

The balance on Mr F's credit card is close to its limit and the interest rate is now 49.9%. So although he pays more than the minimum payment each month, the balance is not reducing as quickly as he would like. He also incurred a £12 over limit fee. NewDay initially said it would only refund this fee if Mr F made a payment to the account to bring the balance within his limit in a week, but he didn't. During the course of his complaint the fee was refunded as a gesture of goodwill.

Mr F's position is that as bank base rate is so low at the moment, he should be charged no more than 12%. As well as reducing his rate down to 12% he'd like NewDay to refund the interest he's paid above this. He's asked this service to require all credit card companies to charge no more than 24% interest, as he thinks anything higher is excessive and unfair.

NewDay explained that its terms and conditions say it can change the interest rate on his card as long as it gives notice. It believes its interest rates are competitive.

Our investigator explained to Mr F that we're not a regulator so we can't tell a business how it should run. Mr F changed his mind a few times about what he saw as a fair outcome. If NewDay wouldn't reduce the rate to 12% he suggested 18-20%. And that it should repay him the difference over three, four or five years.

So it's come to me to make a decision.

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'm not going to uphold it. Let me explain why.

I expect Mr F will be disappointed at the limitations to our powers. Our investigator has explained how this service works, in that we are an informal dispute resolution service and not a regulator. The rules within which we must operate say we can look into individual complaints and decide whether we think the consumer has been treated fairly. But we don't have the power to tell a business the interest rate it should charge on a customer's credit card. And we certainly can't make a blanket ruling which would apply to all credit cards, regardless of the provider or the conduct of an account.

Mr F's complaint isn't that he didn't realise the rate he was being charged. I can see this is clearly shown on his statements. He just thinks the rate's too high.

So I've looked into whether I think Mr F has been treated fairly by NewDay. When Mr F took out the credit card he entered into a credit agreement which includes details of any conditions, such as interest payments. In 2008 when Mr F took the card out, bank base rate was slightly higher than today, and the rate on his credit card was 37.1%. This is higher than the rate Mr F now thinks is fair, but he still went ahead.

NewDay has explained the decision to increase the rate on Mr F's card wasn't based on the risk of lending to him individually. It was a general change which takes into account a number of factors, as well as ensuring its rates overall remain competitive.

The annual percentage rate (APR) on Mr F's card has changed a number of times since he took it out. I've seen a selection of statements which were sent to Mr F, and these show the APR at various points in time. In April 2011 the APR was 26.8% and in June 2011 it was 30.5%, which are both lower than the rate when Mr F took out the card, so I don't think he would've been unhappy about that.

But in December 2012 it went up to 46.7% and the last change was in December 2013 to 49.9% which is the current APR. The statements also give the fee and interest rate for cash advances, and I can see Mr F has used this facility from time to time.

So I've looked at the rules around credit card rate increases that applied at that time. These were that customers must be given 30 days' notice of any change, be told they can opt out, and the rate shouldn't increase again for six months except in exceptional circumstances. And customers must be told about the changes in clear language so they can understand their options.

I haven't seen a copy of an actual rate rise notification letters sent to Mr F from NewDay, but it provided me with an example of such a letter which was sent to customers when rates changed. It's headed up "*Important – your rates are increasing*". While I can't say for certain NewDay sent these letters to Mr F I think it's more likely than not it would have done so.

The letter makes clear when the rate change will take effect from. For example a change effective from November was notified by a letter sent in September. So I think this shows customers were given more than 30 days' notice of the change in rate.

There's an option if the customer objects to the new rate. NewDay will close the account so they can't use the card anymore, and they can repay the balance within a reasonable period at their existing rate, without incurring a financial penalty.

So I think the letter fulfilled its obligation to communicate the changes to its customers giving them the right amount of notice, and in my opinion the letter explained this clearly in straightforward language.

If Mr F was unhappy with the interest rate being increased he could have complained to NewDay at the time. Or he might have been able to take his business elsewhere. The credit card market is very competitive and consumers can usually transfer their balance to another provider offering a better rate, sometimes as low as zero %, so I think that's something Mr F could explore.

I appreciate the interest added to his balance means it's reducing more slowly than Mr F would like. If he's finding the monthly payments difficult to manage we would expect NewDay

to treat him positively and sympathetically, so I would encourage him to discuss this with NewDay.

I'm satisfied it's treated him fairly by complying with the rules and industry best practice by notifying him of the changes to the interest rate in advance, and giving him the option of retaining his current rate if he wishes.

But I'm afraid I have no powers to require NewDay to reduce the interest rate on Mr F's card. And as it hasn't done anything wrong it wouldn't be fair for me to ask it to refund the difference in interest he's paid over the past three years or any other period.

my final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 9 April 2018.

Sarah Milne
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