

complaint

Ms J complains that increases in the interest rates she was being charged by NewDay Ltd on her credit card account were unreasonable.

background

NewDay increased the interest rates being applied to Ms J's credit card account twice in 2017.

Ms J thought the increases were unreasonable and had led to excessively high interest rates. She felt she'd been treated unfairly. And she found the situation particularly stressful as she'd been very ill over the previous couple of years which had affected her financial situation. Ms J complained to NewDay who didn't uphold her complaint so she brought the matter to this service.

Our investigator initially felt that NewDay hadn't provided any information to show that it had treated Ms J fairly when it increased the relevant rates. So he thought they should put the interest rate on Ms J's account back down to what it was before these increases.

NewDay was invited to explain how they'd made their decision to increase the rates. Our investigator considered further information that NewDay provided. He thought this showed they'd acted in line with their terms and conditions and relevant best practice guidance. So he didn't think they should amend the interest rates. But he found that NewDay were aware of Ms J's health issues in September 2017. He thought they should have taken the opportunity to talk to her then about her financial situation or refer her to an external organisation that could help her. So they should pay her £100 compensation.

Neither NewDay nor Ms J agreed with our investigator's view so the matter's been referred to me to decide.

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 agree with our investigator's view and I'll explain why.

A lender like NewDay is entitled to change the interest rate on its customer's cards. But what I need to decide is whether it acted fairly in how it did this here. In doing so, I've taken into account the relevant law, industry rules and best practice guidance – as these outline certain things that NewDay has to do when increasing an interest rate as they did here.

NewDay's terms and conditions set out when they can increase interest rates (clause 18.3). And they've explained that they increased the interest rates on Ms J's account for two main reasons:

- Firstly, since 2016 they've made significant internal investments to improve customer service and remain competitive. These have led to interest rates being increased across all customers' accounts.

- Secondly, they review their customers' account usage, payment history and information on their credit file to measure an individual customer against their internal risk strategy and decide what interest rate to charge that customer. Factors contributing to the decision to increase the rate on Ms J's account in October 2017 include that she used at least 97% of her credit limit every month for the previous 6 months and was over the limit on at least one occasion in 2017.

I think the reasons NewDay have given here fall within those given in the terms and conditions as to when it might do this. And I don't think those terms and conditions are unfair or outside industry rules or best practice guidance. So I think NewDay was entitled to change Ms J's interest rate as it did here.

I've also seen that NewDay notified Ms J of these increases before they happened – which is what it should do here. She was told in January 2017 that the interest rates on her credit card account would go up in April 2017. In August 2017 she was told that they'd increase again at the end of October 2017. Ms J doesn't dispute that she was given notice of the increases. Her concern is about the level of those increases, but NewDay was entitled to decide how much (or how little) to increase the interest rate by and I don't think it made that decision unfairly.

It was up to Ms J to decide whether or not she wanted to then continue having the card on these new terms. Ms J accepts that NewDay gave her the option to close her account, freeze the interest rate and repay the balance on her card at that rate. But she says she needed to keep the credit facility to get by financially and would've found it difficult to repay the debt if she'd closed her account. I can understand that Ms J found herself in a difficult position, but I also think that NewDay gave her the options they should have. I can't see that she made NewDay aware of any difficulties she was facing until September 2017.

Ms J's explained that she's been seriously ill for a couple of years, though fortunately her condition is improving. And she's said that her financial circumstances have been affected by her illness. She told NewDay about her illness when she complained in September 2017 and she's disappointed they didn't offer her help.

I think NewDay could've contacted Ms J to offer her help when they got her September 2017 letter. I don't agree with NewDay when they say that they didn't have the chance to provide help to her then, or that it's up to her to ask them for help directly. Ms J's September 2017 letter told them about her health issues and I think that NewDay should've responded to her letter, or tried to get in touch with her to tell her what it might be able to do in light of what she told them. And I agree with our investigator's view that it's fair and reasonable to award Ms J £100 for distress and inconvenience she suffered because it didn't do that.

I would add that if, as seems likely, Ms J's financial situation is still difficult, I'd expect to see that NewDay treats her positively and sympathetically. But Ms J will need to communicate with them to explore what they can do to help her.

my final decision

My final decision is that I partly uphold Ms J's complaint. NewDay Ltd should pay to Ms J £100 compensation within 14 days of Ms J's acceptance of this decision if she chooses to accept it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 19 April 2018.

Julia Wilkinson
ombudsman