

complaint

Miss O complains about the interest rate that NewDay Ltd is applying to her credit card borrowing and that it did not deal with her complaint about this.

background

Miss O was sent a notice from NewDay dated 21 July 2017 saying that it intended to increase the interest rate on her credit card account. It gave her the option to close her account by 26 September 2017 and pay off the borrowing at the existing interest rate. Miss O called on 28 September 2017 and closed her account. She realised that the interest rate had been increased. She said she raised a complaint about this in April 2018 and mentioned it to NewDay again in May 2018. Her complaint did not get addressed until after she contacted this service in June 2018.

The investigator noted that NewDay had now offered Miss O £100 in compensation. But he did not think that this was enough and recommended it pay £200. He said that this reflected the trouble caused to her. He said he did not have a basis to require NewDay to apply the lower interest rate to her account. It had acted in line with the terms and conditions of the account.

NewDay did not agree and said that the amount it had offered was reasonable. Even if Miss O had been told that she would not keep the previous interest rate when she called it would not have changed the outcome.

Miss O did not agree. She wanted compensation of over £1,000 to reflect the high interest rate she was now paying. She had made every effort to resolve things and NewDay had not dealt with her complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

NewDay was required under relevant regulations to give Miss O 60 days from the notice of the change in the interest rate to 'opt out'. The period it allowed was slightly longer than this and Miss O did not contact it in time. She has not given any reasons why she was not able to do so. Unfortunately she was two days late and the person she spoke to did not tell her that.

The notice about the change in the interest rate said that an estimate of the additional interest per £100 of borrowing was £0.51 per month. So after September 2017 Miss O has been charged over £25 more in interest per month.

She says she raised this with NewDay in April 2018 but it has no record of this. It accepts that when she called in May 2018 it missed the opportunity to address her complaint. I've seen she says on her complaint form that she did have a conversation with it about her borrowing. It said it could look at her income and expenditure if she was having difficulty making payments. As I understand things she is not saying she is in current financial difficulty but that it will take her a long time to pay off the debt at the interest rate charged.

In my view NewDay has provided poor service to Miss O. But it has not made a mistake in applying the new interest rate as Miss O did not contact it in time. The amount of compensation for the poor service is a matter for my judgment taking into account our published guidelines. Having done so and assessed what happened here I consider that the amount recommended is fair to reflect the distress and inconvenience caused to her.

my final decision

My decision is that I uphold this complaint in part and I require NewDay Ltd to pay, not credit, Miss O with £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 11 January 2019.

Michael Crewe
ombudsman