

complaint

Miss F complains that NewDay Ltd has raised the interest on her credit card account, without responding to the questions she had asked about this.

background

Miss F said that NewDay had raised the interest on her credit card for the third time. She said that she'd asked why it was doing this, and it wouldn't tell her. NewDay had said she could refuse the interest change if she wanted to, but then she would have to pay off the card. So she'd also asked, if she refused the interest change and paid off her account, how long NewDay would give her to do that, but it didn't tell her that either. Miss F didn't think that the change in her interest rate was proportionate.

Miss F said that she was disabled, and she said that her mental health had deteriorated as a result of what NewDay had done.

NewDay said that it had raised Miss F's interest rate in line with its terms and conditions of her account, and it had done this because it reasonably considered that her credit risk profile had changed. It said that it wouldn't offer a more detailed explanation of this.

NewDay also said that if Miss F had wanted to avoid the interest rate increase, she could have opted out. She would then be able to continue to make the minimum payment until her card was paid off.

Our investigator upheld this complaint. He said that the letter that NewDay sent to Miss F about the rate increase just said that she would have to pay the card off in a "*reasonable period*". When Miss F spoke to NewDay, she expressed concern about how her minimum payment would be worked out once she'd opted out of the interest rate increase. NewDay said that it would put that, and the reasons for the price increase, in writing. But when it wrote to her, it only included generic information on the price rate increase. It didn't offer her any reassurance that her minimum payment wouldn't increase in future. Our investigator said that he thought that this information was important to Miss F, and if she had been given it, she would probably have opted out of the increase.

Our investigator said that NewDay should provide Miss F with the choice to opt out from the interest rate increase again, but this time it should make clear to her the exact options she has to pay off the balance of the card, and any timescales involved. It should refund the difference in interest that Miss F had paid since March 2018. And to recognise the unnecessary stress caused to Miss F, it should pay her £100 in compensation.

Miss F didn't agree with that. She said that she thought that NewDay should've given her a proper explanation of why her interest rates changed. Its generic explanation was inaccurate, and she didn't think NewDay was treating her fairly. She said that NewDay shouldn't have made a disproportionate change in those rates. She said that if she got the interest rate refund, and NewDay allowed her to close the account, paying the previous rate and offering a full explanation of how long she would have to pay off the remaining balance, then she would do that.

Miss F also said that the compensation wasn't enough. She also said that we'd underestimated the amount of stress that this had put her through. She said the support team from NewDay had contacted her when she submitted her complaint, to say that it

should've been offering her support much earlier. It said that it could put her account on medical leave for six months if she provided evidence of her physical and mental health. She asked for that in writing, but she told us that the letter that then arrived said something very different. She said that she was told then that, because she had complained to our service, that NewDay's support team couldn't discuss her account with her.

Miss F said that she thought that this meant she should be paid more than £100 in compensation.

NewDay just said that its stance was unchanged, and it asked for this complaint to be reviewed by an ombudsman. So the case was passed to me for a final 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. I've reached the same conclusion on this complaint as our investigator, and for broadly the same reasons.

I know that NewDay hasn't given Miss F the detailed explanation of why she was selected for repricing that she wanted. Miss F has said that until she understands what's going wrong, she can't do anything to fix it. I do understand Miss F's concerns, but I'm sorry to have to tell her that NewDay isn't required to give anything other than a generic explanation of why some accounts are selected for repricing. So I can't ask it to explain in detail to Miss F exactly why her account was picked.

I know that Miss F discussed closing her account with NewDay, to avoid the interest rate increase, and then paying it off over time. I think that Miss F was concerned that she would end up in a very vulnerable situation if she did this, and her payments would go up. She asked NewDay to reassure her that she could continue to make the minimum payment, and that the payment amount wouldn't just keep going up while she was paying off the card.

I know that NewDay gave Miss F reassurances on the phone about how her payments would be worked out if she closed her account, but she asked for those reassurances in writing, and NewDay didn't give them. I agree with our investigator that this information was important to Miss F. And I also accept what Miss F says, that if she'd been given this information, she would've opted out of the interest rate increase and closed her account.

For those reasons, I will adopt the solution proposed by our investigator, because I think that puts Miss F back in the situation she should've been in when she first discussed this issue with NewDay. I think that NewDay should provide Miss F with the choice to opt out of the interest rate increase again, but it should make clear to her the exact options she has to pay off the balance of the card, and any timescales involved. When setting out those options, NewDay should say how it will work out the amount that it will ask for as a minimum payment, and tell Miss F how much money this would be on her current credit card debt. NewDay should also refund the difference in interest that Miss F has paid since March 2018. And it should pay her £100 in compensation.

Miss F has also told us that NewDay contacted her to offer her support and assistance, but then withdrew that offer because she had brought a complaint to our service. We've asked NewDay about this, and at the time of writing, it hasn't yet responded.

That means I have two options. One is to wait for NewDay to respond, and try to resolve this new issue as part of this complaint. That would avoid Miss F having to open a fresh complaint, but it would also mean that Miss F continues to pay the higher rate of interest on her credit card, and it would delay the payment of compensation to Miss F. I don't think that would be fair. So I won't wait any longer for NewDay to respond to this issue. Instead, I will invite Miss F to set up a new complaint about the fact that she was offered support by NewDay, and that offer was then withdrawn. And I'll make a final decision on the rest of her complaint now.

my final decision

My final decision is that NewDay Ltd should allow Miss F to retrospectively opt out of the repricing of her credit card account, which took effect in March 2018. It should make clear to her the options she has to pay off the balance of the card, as set out above. It should refund the difference in interest that Miss F has paid since repricing took effect on her card account in March 2018. And it should pay Miss F £100 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 19 October 2018.

Esther Absalom-Gough
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