

complaint

Mr M complained that NewDay Ltd had put up the limit and the interest rate on his credit card, when it should've known he couldn't afford it.

background

Mr M said that NewDay repeatedly raised the credit limit on his account, although he wasn't managing the account well. Mr M said that he had numerous missed payments and exceeded his credit limit, but NewDay kept putting the limit up. Mr M said NewDay should've known he would struggle to pay the money back.

NewDay said that it didn't just look at how he was managing his account. It also considered his wider credit history. And it said that it thought that these increases were affordable for Mr M.

Mr M said that NewDay also raised the interest rate on his card account from 33.1% to 43.9%. NewDay agreed that it did that. It said that took effect on 12 February 2013. Mr M was given until 8 February 2013 to opt out of the increase. NewDay said that it followed the guidelines on how to raise interest rates, it gave Mr M written notice of the change, and it gave him the chance to opt out of the price increase and repay his card instead if he wanted to. But NewDay said it couldn't get a copy of that letter to show us now. It said that it had also told Mr M about the interest rate change and his right to opt out on his statements. So it didn't think it was fair to ask it to refund this money now.

my provisional decision

I issued a provisional decision on this complaint and explained why I didn't propose to uphold it. I concluded, in summary:

- Mr M thinks that it was irresponsible for NewDay to raise his credit limit. But NewDay says that it took account of how Mr M was operating his account, and his wider credit status, when it took these decisions. I could see that Mr M did miss some payments to his card account. But overall, I didn't think that there was enough in how Mr M's account was being managed to mean that NewDay should've decided not to lend Mr M any more money. I didn't think it was clear that the additional lending it was offering was going to be unaffordable for Mr M. And Mr M hadn't offered any other evidence to suggest that NewDay should've known that. So I didn't think NewDay did anything wrong when it increased his credit limit on his card account.
- Mr M also says that NewDay raised his interest rate. Our adjudicator said that NewDay couldn't show that it had complied with the guidelines on raising interest rates. It didn't have copies of any letter it had sent him, and he didn't remember receiving any letter about this. But NewDay said that it was confident it had sent the letters, it just couldn't retrieve them now. And it said it had also pointed out to Mr M that it was going to raise his interest rate, and offered him the option to opt out of that increase, on his statement at the time. I looked at Mr M's statement from January 2013, and I could see that NewDay did mention this to Mr M, and offered him the chance to opt out of the interest rate increase. Because NewDay says there that it has written to Mr M, and it mentions the key points that would've been in any interest rate increase letter, I thought it was less likely that NewDay had failed to follow the relevant guidelines. I thought it was more

likely that NewDay did write to Mr M to tell him about the interest rate increase, and it just can't retrieve that letter now.

- Because I thought it was more likely that NewDay followed the relevant guidelines, that means I didn't think it did anything wrong when it increased Mr M's interest rate. So I didn't think NewDay had to refund any of Mr M's interest now.

I invited the parties to make any final points, if they wanted, before issuing my final decision. NewDay accepted the decision. Mr M wrote to us to say that he was already in a considerable amount of debt when NewDay increased his credit limit, so he still didn't think it was responsible for NewDay to do that.

my findings

I've reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I haven't changed my mind.

Mr M showed us evidence that at the times his credit limit was being raised by NewDay, he had a very considerable amount of personal, unsecured debt. He said that NewDay couldn't possibly have thought that the increases in his debt were affordable for him.

So we asked NewDay about that, and it showed us evidence of how it assessed Mr M's ability to repay. It said that it didn't just look at his account, it also looked at his wider credit record, and checked that he was repaying all his debts.

I have considered NewDay's lending criteria, and I can't say that NewDay failed to apply the Lending Code or the UK Cards Association's guidance on credit limit increases. Although Mr M had a very high amount of personal debt, at the times that NewDay raised his credit limit he seemed to be managing that debt. He had no signs of frequently missed payments or other clear indicators of financial difficulties which could've indicated to NewDay that he wouldn't be able to manage or afford a higher credit limit. So, although I realise that Mr M won't agree with this, I still don't think that NewDay was irresponsible at the times when it raised his credit limit.

I still don't think this complaint should be upheld.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to Mr M to accept or reject my decision before 4 December 2017.

Esther Absalom-Gough
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