

complaint

Mr O complained about the interest rate increase which NewDay Ltd, trading as Aqua, applied to his credit card.

background

In April 2015, Aqua wrote to tell Mr O that it would be increasing the interest rate on his credit card from June. The letter said it had considered a number of factors when setting his rate, including the way he managed and used the card. It also said it might include credit reference records. The letter said that if Mr O preferred to repay his outstanding balance at his current rate of interest, he could contact them to arrange for his account to be closed, repaying over a reasonable period at the old rates.

Mr O wrote to Aqua asking for full details of what checks were carried out and when. Aqua said all credit card accounts were regularly reviewed, and provided a list of some factors it might take into account – for example consistently only making the minimum payment, and regularly at or over the credit limit. Aqua apologised for its delay in replying and offered £20 compensation for the inconvenience. Mr O repeated his questions about the checks Aqua had carried out. Aqua wouldn't provide this information, but increased its offer of compensation to £30. Mr O wasn't satisfied and complained to this service.

The adjudicator told Mr O that the terms and conditions of the credit card entitled Aqua to increase the interest rate. She said that Aqua had a scorecard which used multiple factors. Such reviews took into account the cost of providing the credit facility, and the risk the customer posed to Aqua. The adjudicator recognised that Mr O wanted a specific reason for the increase, but was satisfied that Aqua didn't have to provide this – it's entitled to take a commercial decision.

Mr O wasn't satisfied. He believed he had a right to see the review Aqua said it carried out. He said that it broke the Data Protection Act that he wasn't able to see the information, and he quoted part of the Information Commissioner's website, which he said Aqua had broken. Mr O also said the terms and conditions only allowed Aqua to change the variable interest rate "*for any good reason*". He said his account had been run in an exemplary manner so Aqua needed to show it had "*good reason*" to increase the rate.

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 have looked at the terms and conditions of Mr O's account with Aqua. Section 3.7 says that Aqua can change variable interest rates for any good reason. Mr O believes he's entitled to know details of that reason, so he can assess whether he thinks it's a good reason or not. But I don't consider that this clause means Aqua has to give Mr O every detail of how it reached its decision. I think the clause means that it has to be a relevant reason – in other words, something related to factors which might include matters such as costs, risks, and the economics of running its business. Aqua said that it regards a fair interest rate as one which takes into account the expected costs of continuing to provide the customer with credit. I agree that these are relevant matters for Aqua to take into account, and I find that it was entitled to exercise its commercial discretion. So I don't agree that Aqua was required to do more to meet this part of the terms and conditions.

Section 3.8 sets out that Aqua would give at least 60 days' notice, and gives a customer the option of choosing to close the account and repay the balance. Aqua did give Mr O this option and notice.

I note that there was a small delay in Aqua replying to Mr O. I've considered the offer of £30 compensation for the inconvenience, and I think it was fair and reasonable.

If Mr O wishes to pursue his concerns about whether Aqua broke Data Protection legislation, the right way for him to do this is to contact the Information Commission.

my final decision

My final decision is that I do not uphold this complaint. I leave it to Mr O to decide whether or not to accept the offer from NewDay Ltd, trading as Aqua, of £30 for inconvenience for the delay in responding to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 27 November 2015.

Belinda Knight
ombudsman