

complaint

Mr M complains about NewDay Ltd ("the business") about interest calculations on his Aqua credit card.

Mr M wants the business to reinstate the cashback option and accrued balance which he lost when his account exceeded its credit limit.

background

Mr M has held his Aqua credit card for some time. He has a credit limit of £3200.

Mr M describes his use of his credit card account as "that he does not pay off his balance in full each month, but instead pays enough to cover the minimum payment and allow for the estimated interest due at the end of each statement period".

Between March 2017 and October 2017 Mr M managed his card in this way, making payments to his card and spending on the card so that the balance, including interest remained at around £3100 every month. During this time his estimated, and actual, interest charged each month was approximately £90.

Over the course of October 2017, Mr M made a number of additional payments to his account, bringing the balance down to around £2000. His statement was then issued in late October.

This statement set out his estimated interest for the following month as approximately £58.

Mr M then spent on his card over the following month and his balance rose to over £3100 by the November statement date. He left sufficient funds for the estimated interest of £58 within his credit limit.

When his statement was generated, however, the actual interest charged was around £85 instead. This was added to his account and pushed his account outside of its £3200 limit. A £12 charge was then applied for him exceeding his limit.

Mr M complained to the business shortly after his statement was generated, in late November 2017. He complained that it was unreasonable for the business to expect customers to calculate their interest precisely and so he felt the business should not have applied interest charges above the estimated amount shown on the previous month's statement. He also felt that his accrued cashback should be reinstated to him.

The business sent him its final response letter in early December 2017. It set out that the business did not uphold his complaint as its terms and conditions set out that interest is calculated on a daily basis from the date of each transaction until the date it is paid.

The business refunded Mr M the late payment charge from November as a goodwill gesture.

In December 2017, Mr M exceeded his credit limit again and a further overlimit charge was applied. This was also refunded by the business as a goodwill gesture.

Mr M was not happy with the way that the business had handled his complaint, and that he had lost his cashback option on his card for the year. He therefore referred his complaint to our service and asked that we consider it.

One of our investigators has looked into this matter and did not consider that the business had done anything wrong. Mr M was not happy with this view and asked that the matter be considered by an ombudsman. He maintains that it was not reasonable for a business to expect a customer to accurately calculate their interest in order to remain within the account limits.

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, in particular, looked at the statements sent to Mr M and the terms and conditions of the account to see how they deal with interest payments and cashback on the card.

The monthly statements sent to Mr M clearly set out at the top of the statement the card limit, the balance available to spend and "next month's estimated interest". In my view the use of the term 'estimated' makes clear that this amount is not fixed and is subject to change.

On the statements sent to Mr M, it sets out, under the heading 'Interest Information':

"Estimated interest is an indication of how much interest you will be charged next month, assuming the balance does not increase, you pay the minimum amount on the due date, the way we calculate interest stays the same, interest rates applied to your account don't change and your statement date doesn't change. If any of these assumptions are incorrect, the actual interest charged the next month will be different from the estimate."

In relation to fees, the statements set out that default overlimit charges apply and are £12.

I have also reviewed the terms and conditions of the card which set out, in respect of cashback, that if a customer exceeds their credit limit they would no longer be eligible for cashback and any cashback accrued up to that point would be lost.

From the information given in the terms and conditions and on the monthly statements, which Mr M acknowledges using in order to leave sufficient funds available to cover the interest, I think it is clear that interest will be charged based on a daily calculation and that the estimated interest was just an estimate, based on the balance staying the same.

It therefore is logical that if the balance increased, the interest would also go up.

I appreciate that Mr M may have thought that interest would not go beyond the estimated figure, but he had for some months had a similar balance and in those months the interest was higher, around £90.

I agree with the investigator's view that the business has followed its terms and has not done anything wrong. Mr M commented in response that he felt it was unreasonable to expect customers to calculate their interest, and as a result he felt that the information from the

business was misleading. I do not agree, and it is the responsibility of the customer to ensure they remain within their agreed limits.

In any event, the business has refunded the overlimit fees charged in November and December as a goodwill gesture. I would not ask it to do any more.

Mr M was also concerned that his exceeding his limit caused him to lose his accrued cashback, and the facility to earn more cashback. The business is not willing to reinstate this facility and has relied on its terms. I think that these terms are clear and customers can reasonably know that access to the cashback facility is only open to those customers who manage their accounts within the terms of the business.

Whilst I understand Mr M's frustration, I do not think that the business has done anything wrong and it has acted within its terms and conditions. As a result I do not uphold Mr M's complaint.

my final decision

For the reasons set out above I do not uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 June 2018.

Laura Garvin-Smith
ombudsman