

complaint

Mr C complains that NewDay Ltd trading as Aqua have raised the interest rate on his credit card.

background

Mr C has had an Aqua credit card for a number of years. In 2017, Aqua increased the interest rate on the card. They wrote to Mr C two months before the increase was due to take effect and gave him the chance to opt out by a particular date.

Mr C didn't want to accept the new interest rate and he complained to Aqua. They didn't uphold his complaint and re-iterated that he had the option of accepting the increase or opting out of it.

Mr C then wrote to Aqua and said he didn't think the new rate was acceptable. His letter was sent after the deadline for opting out of the rate increase. He sent a cheque for that month's repayment but said he expected Aqua to reduce the interest rate. Aqua cashed the cheque but the interest rate increase took effect.

Mr C wasn't happy with that, so he brought his complaint to this service. While the complaint has been ongoing, Mr C says that Aqua have increased the credit limit on his card. He says that's inconsistent with the interest rate increase, which Aqua told him was due to him being a credit risk.

Our adjudicator thought that Aqua had acted fairly and in line with their policies, so he didn't ask them to do anything. But Mr C didn't agree and asked for his complaint to be reviewed by an ombudsman.

my findings

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

The Lending Code sets out standards of good practice for banks to follow when dealing with consumers. It contains guidance in relation to credit cards, including best practice standards for dealing with interest rate increases, or credit card re-pricing. The UK Cards Association has also published a Statement of Principles relating to Credit Card Re-pricing. These contain guidelines on issues such as when a customer's account may be selected for re-pricing, the amount of notice which must be given, the method of communication of the increase to the customer and the customer's right to reject the increase. I'm satisfied that Aqua followed these best practice guidelines when re-pricing Mr C's card. I'll explain why below.

Aqua say they regularly review customers accounts in line with their terms and conditions, which allow them to increase or reduce the interest rate. They say these reviews are risk based assessments and that they take external information into account (such as information from credit reference agencies) as well as their own risk strategies when making decisions.

The letter which Aqua sent to Mr C in August 2017 informing him of the interest rate increase said: *"There were a number of factors that we considered when setting your individual rates*

of interest on this occasion. These included the way you managed and used your card and may have included the records held for you at the Credit Reference Agencies on other credit products you have". So I'm satisfied that the change in interest rate was a risk-based re-pricing, specific to Mr C, rather than a general re-pricing. This is permitted by Aqua's terms and conditions as well as the Lending Code.

Aqua say the decision to increase the interest rate was made at the highest level and that they can't reveal the detailed reasons because the information is commercially sensitive. But they've explained that it was based on both internal and external data. Following their own risk assessment criteria, their conclusion was that Mr C's interest rate needed to be increased. It's for Aqua as a business to decide what they consider to be high or low risk. But, based on the information I've seen, I'm satisfied that they carried out a risk assessment in line with their terms and conditions and that they were entitled to re-price the account.

I'm also satisfied that Mr C was given enough notice of the change. And the options he was given are those set out in Aqua's terms and conditions, which comply with the best practice guidelines. So I think Aqua acted fairly in the way they carried out the rate increase.

I realise that Mr C wanted to deal with the situation differently, either by keeping the account open on a reduced interest rate or by paying off the balance over two years with no interest. But he knew what he needed to do if he didn't agree to the higher rate because that was set out clearly in the letters from Aqua. The effect of opting out of the new rate was that his account would be closed and he would have to pay off the balance at the existing rate over a reasonable period of time. That's a reasonable approach and it follows the Lending Code's best practice for dealing with customers who reject a rate increase. So the options Aqua gave Mr C were fair and they weren't under any obligation to accept his alternative proposals.

I realise Mr C feels strongly about the situation. But I'm satisfied that Aqua were entitled to select his account for re-pricing and that they complied with their terms and conditions and the best practice guidelines in the way they carried out the rate increase.

Turning to the credit limit increase, Aqua say their policy is not to increase a customer's credit limit within six months of their account being selected for re-pricing. Mr C's account was selected for re-pricing in August 2017 and he was offered a credit limit increase in February 2018. So I'm satisfied that Aqua followed their policy here.

They say they offered to increase Mr C's credit limit because there was continued improvement in the management of his account as well as positive external data showing decreasing debt. I think that's a reasonable explanation based on the information I've seen. And I don't think it's inconsistent with the account re-pricing as six months is long enough to make a difference to a customer's profile, particularly where they are making regular repayments towards other debt, as Mr C was. In any event, Mr C opted out of the credit limit increase, so it didn't take effect.

So I think Aqua have acted fairly here and I'm not going to ask them to do anything.

Mr C says that he has very recently received a letter from Aqua saying they will freeze his card as he is in persistent debt. I would urge Mr C to contact Aqua to discuss this and try to agree a way forward. But it doesn't change my mind that Aqua acted fairly in connection with the interest rate increase in 2017.

my final decision

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 13 July 2019.

Katy Kidd
ombudsman