

complaint

Mr H complains that NewDay Ltd hasn't reduced the interest rate on his credit card. He also complains that he was charged interest after he'd repaid his balance.

background

Mr H has a credit card with NewDay Ltd which he applied for in 2013. His annual interest rate is 39.9% on purchases. On his credit card application form it says that, subject to conditions, Mr H will be eligible to receive a 5% reduction on his interest rate each year for the first three years. But Mr H's interest rate has stayed the same. NewDay Ltd says this is because Mr H made late payments in 2014. But Mr H says he's not been late with any of his payments so his interest rate should've reduced.

Mr H also complains that in 2016 he paid off his credit card balance but was then charged interest afterwards. NewDay Ltd explained that his payment to clear the balance was after his payment date, so interest was applied correctly for the month. However it refunded the interest as a gesture of goodwill.

Our investigator didn't think NewDay Ltd had done anything wrong. He explained that the terms of Mr H's credit card say that if he makes any late payments he won't be eligible for the reduction in interest rate. And he explained that the interest was applied correctly when he'd repaid the balance. So NewDay Ltd hadn't done anything wrong.

Mr H disagreed so the complaint has been passed to me for a 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. Having done so, I'm not upholding this complaint.

interest rate reduction

Mr H was late in making his credit card repayments three times in 2014. NewDay Ltd refunded his late payment fees and Mr H says this shows he didn't actually make a late payment. But I can see from the copies of his statements that his payments were made a few days later than his payment due date. So as a gesture of goodwill, NewDay Ltd refunded these charges – but Mr H still made these payments late. Although he believes this wasn't his fault, and was rather an issue with his bank, from what I can see the payments weren't made on time.

When he took out his credit card in 2013 the terms (which are in his application form) say:

“You will not be entitled to reductions in your standard rates if you...do not make your minimum payment on time or at all, in which case your standard rates will remain the same and you will not be eligible for any reductions set out in condition 3.4 not yet applied to your account.”

So because Mr H was late in making his repayments to NewDay Ltd, he wasn't entitled to any reduction in his interest rate at any point. So NewDay Ltd hasn't done anything wrong here.

Mr H has mentioned that as his credit limit has increased it should follow that he has a decrease in interest rate. However NewDay Ltd isn't obliged to reduce an interest rate, even if it has offered to increase Mr H's credit limit. The interest rate reduction is something that was a promotion when he applied for his credit card, so isn't connected to his later increase in credit limit.

interest applied after repaying the balance

In April 2016 Mr H had a statement balance of around £3,500. His minimum payment was due by 25 April. He made his minimum payment by this date. After 25 April, interest will start to be charged on the remaining balance. I can see he repaid his balance in full on 29 April. So interest on the £3,500 would've been charged between 25 April and 29 April. This is why on his May 2016 statement his outstanding balance was around £73. NewDay Ltd was correct in applying this interest.

However I can see NewDay Ltd has since refunded this interest to Mr H as a gesture of goodwill. So this issue seems to have been resolved. But even if it hadn't been, I can't say NewDay Ltd has incorrectly applied the interest for this month. I can't see it applied any further interest until this year when he used his card again for further purchases.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 October 2017.

Charlotte Wilson
ombudsman