

complaint

Mrs C complains that Express Gifts Limited, trading as Studio, has increased the rate of interest on her credit agreement without notice to her.

background

Mrs C signed a credit agreement with Studio in October 2011. The agreement said that: *"The APR is 29.5% (variable) (if you pay by direct debit) or 44.9% (variable) (if you pay by other methods)"*; and it said that the interest rate could be changed at any time by notice to Mrs C. Studio says that it wrote to Mrs C in October 2015 to give her notice of an increase in the rate for payments other than by direct debit to 54.9%. Mrs C says that she didn't receive that letter. She complained to Studio when she became aware of the higher rate of interest that had been applied to her account. She wasn't satisfied with its response so complained to this service.

The adjudicator recommended that this complaint should be upheld. She considered that there was confusion about whether or not a letter was sent to Mrs C. So she concluded that Studio should refund any additional interest applied to Mrs C's balance as a result of the interest rate increase (and that it should also pay interest on that amount).

Studio says that a letter about the increase in the interest rate was sent to Mrs C - along with over 50,000 other customers - in October 2015 and that it was likely that a small number of letters would go missing due to the postal system. And it says that had the letters not been sent, it would've been inundated with complaints, which wasn't the case. The letter gave Mrs C a number of options and Studio says that if Mrs C had opted out of the interest rate increase within the 60 day period, it would've ensured that her account reflected it.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mrs C and to Studio on 9 September 2016. In my provisional decision I said as follows:

"It's clear from Mrs C's agreement with Studio that the interest rate was variable and that it could be changed at any time by notice to Mrs C. Studio says that it wrote to Mrs C – and other customers – in October 2015 to tell her that the interest rate for payments other than by direct debit was increasing to 54.9%. And the letter gave her the option to: pay off the account balance in full and the account would be closed; pay off the account balance at the existing interest rate with no further purchases being permitted and when the balance was repaid the account would be closed; or opt to pay by direct debit.

Mrs C says that she didn't receive the letter from Studio and only became aware of the increase in interest rate some months later. But I consider it to be more likely than not that the letter was sent to Mrs C using the correct address for her. And by sending the letter I consider that Studio gave the required notice of the increase in the interest rate to Mrs C – even if the letter wasn't received by her.

I sympathise with Mrs C that she's been adversely affected by an increase in the interest rate about which she wasn't aware. But I find that Studio hasn't acted incorrectly – so it wouldn't be fair or reasonable for me to require it to refund any interest to Mrs C or to take any other action in response to her complaint.

The interest rate on Mrs C's account for payments other than by direct debit is 54.9%. If she doesn't want to pay that rate she could pay by direct debit (for which the interest rate is 29.5%) or make payments to reduce the balance on her account and then close it."

Subject to any further representations by Mrs C or Studio, my provisional decision was that I wasn't minded to uphold this complaint.

Neither Mrs C nor Studio has responded to my provisional 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 persuaded that I should change my provisional decision.

my decision

So my decision is that I don't uphold Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 14 November 2016.

Jarrold Hastings
ombudsman