

The complaint

Miss S complains about several service problems with NewDay Ltd trading as Aqua (Aqua).

What happened

Miss S had an Aqua credit card from NewDay. In December 2022, the limit was £900 and the balance was £942.63. The payment required was £52.06 plus a 'recommended extra payment' of £24 – making £76.06. In April 2023, her limit was reduced to £600.

She's complained about a number of things:

- She can't see why the minimum payment doesn't result in her balance reducing, as she always pays either the minimum amount due, or more, depending on how much she's spent.
- She cannot work out why the interest charges are what they are - and wants us to undertake an audit of her account.
- In December 2022, she was charged two amounts of interest.
- Aqua's interest rates have been increasing unfairly over the years and are now too high.
- In December 2022, her minimum payment amount was increased arbitrarily.
- The statement dates (and therefore payment dates) are changed arbitrarily by Aqua, and there's no legal basis for them to do that. It results in extra interest being paid.
- In April 2023, Aqua reduced her limit from £900 to £600 and this wasn't fair.
- She's had problems accessing her account online or through the app. This meant she couldn't track her account.

Aqua said (on the complaint points Miss S has brought to us):

- Miss S' December 2022 statement was correct, and there was only one interest charge on it – for £30.63.
- The payment requested on the December 2022 statement was higher than in November 2022 – as Aqua added a 'Recommended Extra Payment' (REP) of £24 – making £76.06. When the direct debit was set up, it included the contractual minimum payment, plus an optional REP. This was confirmed in a letter dated 8 October 2021. This was to help Miss S avoid being in 'persistent debt'. If Miss S wanted to opt out of the REP process, she could and should contact Aqua if that was the case.
- Aqua reviewed Miss S' account and were satisfied that the balance was correct when considering her payments, fees, spending and interest from January 2023 to May

2023. Aqua explained how they calculate the interest applied to account. They said they're only required to explain the interest rates that apply, and how interest has been calculated. They said they can't calculate Miss S' interest in the way she wanted. They said she should use an Excel programme or employ an accountant to do an audit.

- Aqua review customers' credit limits from time to time, and due to information received from credit reference agencies (CRAs) - decided to reduce Miss S' limit from £900 to £600 in April 2023. The reduction was to ensure they were lending responsibly. The CRA data may have shown she was taking out more credit from other lenders.
- Aqua said they change interest rates depending on a number of factors, including how a customer manages their account, information from the CRAs and internal risk strategies; and the Bank of England base rate. Miss S was sent notices of the increases in March 2021 and February 2022. She could then have opted out by paying off her balance at the old interest rate and close her account. To do that, she needed to contact Aqua by 25 May 2021 and 27 April 2022 respectively, but didn't. The current interest rate was 44.68412% simple.
- There have been no restrictions on Miss S using online or mobile banking.
- On a separate point (not referred to this service), Aqua said they'd not responded to Miss S' request for a Data Subject Access Request and didn't respond to her complaint - within reasonable times frames. For these issues, they paid compensation of £150 and refunded interest and charges of £100.93 – as a gesture of goodwill.

Miss S brought her complaint to us. Our investigator said Aqua didn't need to do anymore and said:

December 2022 statement: Miss S' required payment increased due to the REP, and this was reasonable. And there was only one amount of interest debited – on 19 December 2022.

Audit of interest and fees: Aqua had explained how interest was calculated, which was fair. She agreed it wasn't for Aqua to provide an audit of Miss S' account. If Miss S wanted an in-depth examination of her account, she should use an auditor to do that. Our investigator said she couldn't see that any fees had been applied incorrectly.

Reduction in credit limit: it was up to Aqua to make their own lending decisions and the risks they wished to take. And the reduction in limit was in line with their responsible lending policies.

Level of interest rates: Aqua could change interest rates in line with the terms and conditions on the account. They'd given 60 days' notice to Miss S.

Statement dates: statement and payment dates can vary slightly, but they are shown on monthly statements, so Aqua acted fairly.

What I've decided – and why

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

Miss S has raised a number of issues with Aqua and brought them to our service to look at.

Let me say at the outset that I consider Aqua have dealt with her complaints thoroughly and have clearly looked into her points in detail. So – I am not upholding her complaint. I will go through Miss S' complaint points in turn:

December 2022 statement: There was only one interest charge - £30.63 - and not two. And the requested payment increased from the 'contractual' minimum of £52.06 to £76.06 – because Aqua added a REP of £24. This was to help Miss S avoid going into further debt. So – I consider this was done with the best intentions.

I can see Aqua advised Miss S of this in a letter dated 8 October 2021 – which I looked at. It said: *“Your payment requested Direct Debit will cover your contractual minimum payment (including any arrears) plus an optional recommended extra payment, where shown on your statement, which may vary depending on your balance.”* So here, I consider Aqua acted reasonably.

Audit of interest and fees: I've seen all of Miss S' correspondence and spreadsheets she's sent to us on this point. Our investigators are correct – our service doesn't provide an audit service, and if Miss S wishes to challenge Aqua on the interest being charged, she should employ an auditor to look at her account – at her expense.

Miss S says she can't see how she's not reducing her debt as she should. I looked at her statements from January 2022 to July 2023 – and each month shows her minimum payment is the interest plus any charges, plus 1% of the balance.

This method is described on each of Miss S' statements – they say: *Contractual minimum payment (1) The higher of: A. £5 – or if you owe less than £5, the full amount you owe; or B. the sum of interest, default fees and 1% of the full amount you owe, (including the interest and default fees) as shown on your monthly statement”.* I noted this was also included in the credit agreement for the credit card.

This is Aqua's policy – and so Miss S is paying the contractual minimum as agreed and advised to her. She can of course, choose to pay more than the minimum by making additional 'manual' payments to her account – online, or by phone. And – this will mean her debt will come down more quickly and reduce the interest charges.

So here, I consider Aqua acted reasonably.

Reduction in credit limit: Aqua explained that they took a decision to reduce Miss S' limit, based on how she used her account and information they got from the CRAs – i.e. her other debt agreements. In this case, it's for Aqua to take its own commercial decisions about Miss S' credit limit, based on its own lending criteria. That's for Aqua to decide – and we won't interfere with that. But – we do see if Aqua have acted reasonably in the way they've done that, for example, by communicating clearly with her.

And I can see that they advised Miss S about the decision in a letter dated 27 April 2023 This said: *“Your credit limit has been reduced...We have recently reviewed your account, and feel that a lower limit is more appropriate for your circumstances. We have reduced your credit limit from £900.00 to £600.00...We appreciate that this may cause you inconvenience, but please be assured that we've carefully considered this decision in line with our ongoing commitment to serve customers responsibly.*

Aqua then explained why the limit had been reduced: *“The key things that are taken into account when reviewing customer credit limits can include:*

-The way you have been managing your account, for example paying on time and staying within your credit limit.

-Any information on your credit file about how you are managing other financial commitments. This can include whether you're paying on time on other cards, or whether you're increasing your use of credit generally"

So here, I consider Aqua acted reasonably.

Level of interest rates: We can't tell businesses to change their interest rates – that's a commercial decision for firms to make, and we can't interfere. But our role is to decide if customers have been treated fairly in the circumstances of their complaint – and here, we expect them to be clear in their communications, and give sufficient notice of changes.

I can see that Aqua wrote to Miss S in February 2022 – to say that her interest rate was to increase.

The letter said: *"We are contacting you to let you know that the interest rates on your Aqua card are increasing.*

We do appreciate this may be a difficult message to receive, and we would like to explain the reason behind this decision.

There are multiple factors that our team look at when assessing the most appropriate interest rate for each of our customers.

The factors that we have considered when increasing your interest rate are based on how you manage credit with us and with other lenders. These may include:

- Not making payments on time, exceeding your credit limit, or sudden increases to your spending without increasing your payments as well.*
- The way you use credit, such as frequently making cash transactions.*
- Changing your financial behaviour elsewhere. For example, increasing the amount of credit you use elsewhere or having trouble managing other financial products well...*

If you would prefer to repay your outstanding balance at your current rates of interest, just call us by 27th April 2022. We'll close your account and you can pay off your existing balance within a reasonable period at your existing rates..."

Aqua explained the reasons for their decision, gave Miss S the chance to opt out, and to repay her debt at the old interest rate. This seems to me to be a reasonable thing to do.

I also saw Aqua's letter date March 2021 – about the previous increase in Miss S' interest rate. I reviewed this and it said the same and again said Miss S could pay off her balance at the old rates: *"If you would prefer to repay your outstanding balance at your current rates of interest, just call us by 25th May 2021. We'll close your account and you can pay off your existing balance within a reasonable period at your existing rates"*.

I can also see that Aqua gave 60 days' notice of the increases each time – so that gave Miss S time to find another credit card provider if she wished.

So here, I think Aqua acted reasonably.

Online and mobile banking: Miss S says she has had problems using her online/mobile service to access her accounts. Aqua have said there had been no problems with their system or processes. They also showed us the log on details for Miss S. This shows she

logged on frequently from January 2022 to August 2023 (when the data was sent to us). There were 1,500 log-ons. Although I noticed she had only logged on using the web (not mobile) after September 2022 – so there may have been a problem with her app. But here – as she had successfully logged on anyway using another method, there wasn't any inconvenience caused.

Statement dates: it is the case that statement dates can vary by one or two days – typically when a weekend or bank holiday is involved. But I can see that the monthly statements do set out what payment is required, and by when. This doesn't lead to an increase in interest charged – as interest is worked out on a daily basis i.e. there can only be interest accrued for 365 (or 366) days a year.

Miss S has put a lot of complaint points, information, and data to us. I want to assure her we've considered everything she's sent. And she obviously feels strongly about her complaints. But, for the reasons I've given, I'm not asking Aqua to do any more here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 6 March 2024.

Martin Lord
Ombudsman