

The complaint

Miss W complains that MBNA Limited incorrectly reduced the credit limit on her credit card after the account was closed. Miss W also complains that the reduction led to a drop in her credit score.

What happened

On 22 March 2023 Miss W called MBNA and advised she wanted to close her credit card account. At the time, Miss W had an outstanding balance. MBNA wrote to Miss W on the same day and confirmed the account had been closed and no new spending was possible. MBNA's letter explained that the credit agreement would continue to apply until the balance was repaid in full.

On 31 March 2023, Miss W called MBNA and advised she was unable to make her monthly payment that was due shortly and was passed to the collections team. MBNA agreed to suspend interest and placed a collections hold on Miss W's account to provide some further time for the payment to be made.

On 3 April 2023, MBNA reviewed Miss W's account and took the decision to reduce the credit limit from £4,000 to £3,900. MBNA wrote to Miss W to confirm the new credit limit.

Miss W went on to raise a complaint with MBNA and said that the decision to reduce her credit limit on a closed account went against the terms and conditions. Miss W also said the reduction had led to her credit score dropping.

MBNA issued responses to Miss W's complaint but didn't agree it had made a mistake. MBNA said that whilst the credit card had been closed, the terms and conditions continued to apply until the balance was repaid in full. MBNA said its terms allowed it to reduce the credit limit and didn't uphold Miss W's complaint.

An investigator at this service looked at Miss W's complaint but felt MBNA had dealt with it fairly. The investigator said the credit card's terms and conditions allowed MBNA to reduce the credit limit. The investigator noted that the terms confirmed the credit agreement would remain in place until the balance is repaid in full. As a result, the investigator wasn't persuaded MBNA had made a mistake by reducing Miss W's credit limit.

Miss W asked to appeal and said the terms provided at the start of the agreement did not say that after an account is closed, and a new agreement governing the terms of repayment is enforced, that MBNA could still reduce the credit limit. Miss W also noted MBNA's letter said it had taken the decision to reduce the credit limit following a review of her account. But Miss W noted that she had already been prohibited from new spending after her account was closed. Miss W further added that when MBNA reduced the credit limit on 3 April 2023 she hadn't missed any payments and that no arrears were reported for that month on her credit file. In addition, Miss W explained how she felt the reduction in her credit limit had led to her credit score being reduced on the basis of credit utilisation.

As Miss W asked to appeal, her complaint has been passed to me to make a decision.

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.

I'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under. I'd like to assure Miss W in particular that I've read and considered all the points she made and information provided when originally bringing the complaint and in response to the investigator's findings.

I note that in response to the investigator, Miss W made the point that when the account was closed, a new agreement governing the terms of repayment came into effect. But I'm not persuaded that's the case. I've reviewed the credit card terms and conditions along with the letters MBNA sent Miss W. All confirm that the credit agreement continues to apply until the outstanding balance has been repaid in full. There's no reference to a new agreement to govern repayments or that the original agreement and associated terms and conditions would cease to apply. I'm satisfied that MBNA was able to apply the terms of its original agreement with Miss W, even after the credit card facility was closed.

MBNA's explained the decision to reduce Miss W's credit limit was taken after a review of her account. Miss W's told us that no payments were missed in April 2023, so feels MBNA's actions were wrong. But I think it's fair to note that on 31 March 2023 Miss W advised MBNA that she was unable to make the payment that was due at the beginning of April 2023. MBNA agreed to place a collections hold and interest freeze on the account, meaning Miss W wouldn't be chased, and provided some additional time to make the payment up. Miss W's payments were generally made to MBNA on the 3rd of each month, but it wasn't made until 19 April 2023, when the account was brought up to date. So whilst I can see Miss W's payment was made in April 2023, I'm satisfied it wasn't received by MBNA on 3 April 2023 as planned. No missed payment was recorded on Miss W's credit file, but I'm satisfied the payment wasn't received on the normal payment date. And I'm satisfied MBNA was reasonably able to review the account and how it had been administered by Miss W.

MBNA reviewed Miss W's account on 3 April 2023 and took the decision to reduce the credit limit. I can see our investigator has already set out the relevant terms and conditions in detail so I won't repeat them here. But I'm satisfied MBNA's terms allowed it to take the decision to reduce the credit limit on Miss W's credit card, which is what it went on to do. And I haven't found anything that shows MBNA's decision to review the account and reduce the credit limit was unreasonable in the circumstances or that it made a mistake.

Miss W's explained how the reduction in the credit limit impacted her credit score. But as I haven't been persuaded MBNA made a mistake or acted unfairly by reducing Miss W's credit limit, I'm unable to agree that it should compensate her for a subsequent drop in her credit score.

I'm sorry to disappoint Miss W but as I haven't been persuaded that MBNA made a mistake or treated her unfairly I'm not upholding her complaint.

My final decision

My decision is that I don't uphold Miss W's complaint.

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

Marco Manente
Ombudsman