

The complaint

Mr B complains that Madison CF UK Limited trading as 118 118 Money increased the interest rate on his credit card.

What happened

Mr B applied for a credit card with 118 118 Money. His application was approved and he was given a card with an initial credit limit of £800.

Mr B says that when he applied for the card the APR was advertised at 34%. However, soon after Mr B took out the card, 118 118 Money wrote to him and advised him that the APR was increasing to 49%. Mr B was annoyed by this as he could see that 118 118 Money were still advertising new credit cards with an APR of 34%.

Mr B complained to 118 118 Money. 118 118 Money didn't uphold the complaint. In its final response dated 28 February 2024, 118 118 Money said it had sent an email to Mr B on 8 January 2024 informing him of the potential increase in the APR and giving him the option to opt out of the changes by 12 March 2024. 118 118 Money said the APR had been increased in line with its terms and conditions.

Mr B remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. She said that 118 118 Money had the right to increase the APR in line with the terms of the account.

Mr B didn't agree. He said that he didn't think 118 118 Money should be able to advertise a credit card at one APR and then increase the APR following application. Mr B said the APR on his card had increased by 15% whereas the Bank of England rate had only increased by 1.25% in the previous 12 months. Mr B said that a 15% increase wasn't fair. He said he'd closed other credit card accounts he'd held in order to apply for the 118 118 Money credit card, and he wanted compensation for the fact that he was no longer able to take advantage of credit at an APR of 34%.

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've reviewed the terms and conditions of the account. Mr B agreed to these terms and conditions when he signed the credit card agreement. The terms and conditions state that 118 118 Money can vary the APR at any time.

I've also reviewed 118 118 Money's website. This includes information which advises potential customers that the APR is variable.

Mr B has said that 118 118 Money increased the APR without prior disclosure. However, I don't agree. As I've said above, the website makes it clear that the APR is variable, meaning there is always the potential for the APR to increase. Further, I can see that 118 118 Money

wrote to Mr B on 8 January 2024 giving him advance notice of the increase in the APR. The letter also gave Mr B the choice to opt out of the APR increase. This would've involved closing the account and paying off the balance at the existing APR. The timescale for opting out was around 10 weeks which I think was a reasonable time for Mr B to reach a decision on whether to keep the account (with the increased APR) or close it.

Taking all this information into account, I'm unable to say that 118 118 Money has made an error or treated Mr B unfairly by increasing the APR.

I appreciate that Mr B feels very strongly that the increase in the APR was unfair, because it wasn't in line with Bank of England interest rate rises at the relevant time. I've reviewed all the information about the account, and I can't find anything which suggest that changes to the APR will reflect, or be similar to, Bank of England interest rate changes. Ultimately, it's up to a lender to set the interest rate/APR applicable to its products. This is a commercial decision and not one with which this service can interfere.

I understand that Mr B seeks compensation for the inconvenience caused to him by the increase in the APR. However, Mr B has also said that he wasn't carrying a balance on the account at the time of the APR increase. Given that this was the case, it was open to Mr B to exercise his right to opt out of the APR increase and close the card and apply for a different card at an APR he was happy with. I haven't seen any evidence to suggest that he was prevented from doing so. This would've mitigated any loss Mr B might have suffered as a result of the APR increase – although, as I've said above, there was no balance on the account.

For the reasons I've given I'm unable to uphold the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 September 2024.

Emma Davy
Ombudsman