

The complaint

Mr F complains about increases to his MBNA Limited credit card's minimum payment.

What happened

Mr F has explained he's held a credit card with MBNA for several years with a consistent outstanding balance approaching the credit limit. Mr F says that between January 2022 and January 2023 the interest rate for his credit card went from 19.11% to 22.98% - an increase of 3.87%.

In January 2023 Mr F contacted MBNA and complained about the increases to his minimum payment. MBNA issued a final response on 1 February 2023 that incorrectly said the increase in Mr F's minimum payment was caused by an increase in the outstanding balance. MBNA's letter also said Mr F had been referred to its Persistent Debt team which was looking at the interest rate for his credit card.

Mr F responded and pointed out his balance had remained at a consistent level. MBNA issued a follow up final response on 14 March 2023 and paid Mr F £100 for providing incorrect information in its earlier final response. MBNA went on to explain that interest rate rises by the Bank of England had increased along with other factors that had influenced the decision to increase its own interest rate for the credit card. MBNA didn't agree it had made an error in terms of the interest rate applied to Mr F's credit card.

An investigator at this service looked at Mr F's complaint. They thought MBNA had applied interest and increased Mr F's payments in line with the credit card's terms and conditions. The investigator didn't uphold Mr F's complaint and he asked to appeal. As Mr F asked to appeal, his 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.

When Mr F first complained, MBNA incorrectly advised that an increase in his credit card balance had caused payments to go up. But its follow-up final response corrected MBNA's mistake and it also paid Mr F £100 for the distress and inconvenience caused. I'm satisfied MBNA's payment of £100 fairly reflects the error it made when giving its final response.

I've looked at MBNA's standard terms and conditions for credit cards. The terms allow MBNA to make changes to the agreement, including the interest rate charged. There are a range of reasons MBNA can increase the interest rate. One of the reasons the interest rate can increase is to take changes to the Bank of England base rate into account. I think it's fair to say that the Bank of England base rate increased between January 2022 and January 2023. The increase in MBNA's interest rate is broadly in line with the increases in the Bank of England base rate generally. I'm satisfied that MBNA has increased the interest rate applicable to his credit card in line with the account terms. I'm sorry to disappoint Mr F but I haven't been persuaded that MBNA made a mistake or acted unfairly.

When Mr F spoke with MBNA it referred him to its Persistent Debt team which went on to block new spending and apply a lower interest rate. MBNA's confirmed that if Mr F is unable to afford payments going forward he has the option of discussing his account with its Financial Assistance team. I've read and considered what Mr F's told us when bringing his complaint. Whilst I understand Mr F's concerns about the increases to his minimum payment, I'm satisfied MBNA is willing to work with him and provide support if he's experiencing financial difficulties. I leave it to Mr F to decide whether he wishes to discuss his account further with MBNA.

I'm very sorry to disappoint Mr F but as I'm satisfied MBNA has correctly applied interest rate increases to his credit card and dealt with his complaint fairly, I'm not telling it to do anything else.

My final decision

My decision is that MBNA Limited has already paid a settlement that is fair and reasonable in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 31 October 2023.

Marco Manente
Ombudsman