

our ref
your ref

from

direct phone

direct fax

e-mail

By e-mail only

2 February 2010

Dear

**Wider implications:
risk-based step-changes in interest rates on credit-cards and store-cards**

Following our wider-implications reference to OFT on 18 December 2008, and your response of 19 December 2008, we proceeded with the complaints we had received – because many of the consumers were in straitened circumstances.

Most of the cases related to five card providers – some of whose terms and conditions purported to allow the card provider a very wide discretion to vary the rate of interest to be charged, including in some cases for reasons that are personal to the customer.

We wrote to the five card providers, sending them a detailed questionnaire to complete by a specified date, and indicating that we might draw inferences from any failure to provide relevant evidence.

We pointed out that this was their opportunity to provide any evidence to demonstrate that:

- the increase(s) in the interest rate actually reflected an increase in the risk presented by the customers concerned;
- the relevant contractual terms contained a provision which authorised the increase(s) – including, where relevant, for existing debt; and
- the relevant provision complied with the Unfair Terms in Consumer Contracts Regulations 1999.

As I told you in my letter of 9 March, four of the five card providers then offered to settle their cases on terms (including refunds and compensation) that we considered fair and which the relevant complainants accepted.

One of the card providers did not settle, and provided a response to our questionnaire – though it did not fully address all of the questions we had asked. So we continued with our investigation of its cases, and issued some provisional decisions.

Recently, before we reached the point of making final decisions on the relevant cases, this card provider also offered to settle its cases on terms (including refunds and compensation) that we considered fair and which the relevant complainants accepted.

Accordingly, the cases received by us in respect of which we invoked the wider-implications process are now being satisfactorily resolved. We would like to take this opportunity to thank you for your assistance and cooperation.

Yours sincerely