

“Fury as spending limits are slashed”

So, when does the flexible friend become a not so flexible friend? Answer, when redundancy strikes, you happen to be in your dotage or simply do not use it regularly.

Card companies have peremptorily reduced customer spending limits leaving many with little or no credit as the financial squeeze continues unabated. The main triggers resulting in limits being curtailed range from holders taking on other loans, suffering a drop in income or simply being too old.

On the specific question of ageism, Phil Wood, managing director of chartered accountants and licensed insolvency practitioners, Barringtons, said that age is often a factor as many credit card companies have an age threshold but for very good reasons seldom talk about it.

Many people are now finding that limits have been severely slashed without any prior warning leaving many seriously in the lurch.

“Unlike other forms of borrowing, credit on cards is open-ended and unsecured. Some providers may well be looking to reduce their limits for capital adequacy reasons. However, under European Union rules, banks must reserve some capital to cover potential, as well as actual, borrowing by customers. The last time the banking code was reviewed, consultation prior to reducing credit limits was discussed but most companies felt there were dangers that cardholders would go out and spend up to their limit. It is a good idea for people to check with a Credit Reference Agency on a regular basis to see what often forgotten balances actually lurk there,” said Phil.