

The complaint

Mr T complains that NewDay Ltd (trading as Aqua) lent irresponsibly when it approved his credit card application and when it increased his credit limit. He also complains that NewDay didn't do enough to help him when he told them he was in financial difficulties.

To settle matters he'd like a refund of interest and charges applied to his account.

What happened

In 2013 Mr T applied for an Aqua credit card. His application was approved and he was given a £250 credit limit. At the time he applied for the card he says he already had existing debt of more than £10,000 and defaults on his credit file. He thinks Aqua didn't carry out the appropriate checks when deciding to approve his credit card application.

He's also unhappy that NewDay increased his credit limit to £600 in September 2013 and further increased it to £800 in January 2014 and this made his financial difficulties worse.

He also complains that NewDay didn't do enough to help him when he told it he was in financial difficulties. Had it helped him he thinks this could have avoided his account being sold to a debt management company.

Mr T complained to NewDay but it didn't uphold his complaint. It said the Aqua card is aimed at customers with a poor credit history and is designed to help them improve their credit rating. Taking into account the information he supplied in his credit card application together with information obtained from credit reference agencies it thought the £250 credit limit was appropriate.

It explained that it reviewed the way he managed his account before offering the increases and that he was given the option to opt out of the increases but hadn't done so.

Mr T wasn't happy with NewDay's response so he referred his complaint to our service. Our investigator didn't recommend his complaint should be upheld.

She noted that when Mr T applied for his credit card the information available to NewDay showed he had nine registered defaults on his credit file and outstanding debt of £11,900. The last registered default was 23 months before he applied for his credit card. This was within NewDay's lending policy so our investigator didn't think NewDay was wrong to provide an initial credit limit of £250. And she didn't think it was wrong of NewDay to increase Mr T's credit limits.

In terms of the financial difficulties Mr T found himself in, she noted that he'd told NewDay of his financial difficulties in February 2017. A payment plan was discussed but Mr T said he'd pay £100 and try to get the account on track the following month.

She thought NewDay had made him aware of the support available but he didn't make any further payments to the card and here was no evidence to show he contacted NewDay again until his account was passed to a debt management company.

Mr T disagrees with the investigator's view and has asked for an ombudsman's 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.

NewDay was required to lend responsibly. When it initially provided the card to Mr T and each time it increased his credit limit it needed to take reasonable steps to understand whether he would be able to repay what was being lent within a reasonable period of time. It was up to NewDay to decide exactly what checks to carry out, but they had to proportionate to things such as the amount borrowed, the cost of the repayment and Mr T's borrowing history.

offering the credit card

Like the investigator, I don't find that NewDay lent irresponsibly when it approved Mr T's credit card application. I can see it obtained information from Mr T about his personal circumstances and income and it also obtained information from credit reference agencies before deciding whether to approve his credit card application.

NewDay was aware that Mr T had a reasonably large amount of unsecured debt and it was aware of the defaults. However as the last default was 23 months before he applied for his card, this was within NewDay's lending criteria. Taking into account everything NewDay knew about Mr T I think its decision to approve the credit card was reasonable as it only approved a relatively small credit limit of £250.

credit limit increase to £600 in September 2013 and further credit limit increase to £800 in January 2014

NewDay told us that before increasing Mr T's credit limit it took into account information provided by credit reference agencies and it considered that information alongside the way he managed his account. It's unclear exactly what information NewDay was provided by the credit reference agency it used but I've seen the information NewDay had about the way he managed his account as well as data from external credit reference agencies.

The information I've seen shows that Mr T sometimes made more than his required minimum monthly amount. It also shows he was generally making fairly small monthly repayments and this suggests to me that he was most likely only making minimum monthly repayments. I don't think this, on its own, is a sign that the credit wasn't affordable for him because there are no missed payments shown from the time his credit card was approved or in the short term after the credit limit increases were approved.

If the credit wasn't affordable at the time it was made I'd expect to see that Mr T wasn't able to maintain his payments soon after the credit limit increases took effect. I've seen nothing to suggest that was the case here as the first missed payment wasn't until July 2015 - significantly after the decisions to increase his credit limits were taken.

Based on the above, I can't fairly say Aqua did anything wrong by increasing Mr T's credit limits in September 2013 and again in January 2014.

financial difficulties

Mr T made NewDay aware of his financial difficulties in February 2017. In situations like this I'd expect NewDay to treat him positively and sympathetically.

The call notes from the time show that Mr T told NewDay he was currently out of work and wasn't receiving a regular income. A payment plan was discussed but the notes show Mr T instead agreed to pay £100 and that he'd try to get the account back on track the following month. The notes suggest that NewDay made him aware of the support available but there's nothing to suggest he made any further payments to the card or that he contacted NewDay again until his account was transferred to a debt management company.

I can't say that NewDay treated him unfairly here. I appreciate NewDay didn't refund interest and charges as he wanted it to but lenders aren't obliged to do this. The call notes I've referred to show that Mr T intended to bring his account up to date so NewDay wouldn't have known he needed any further help as there's nothing to suggest he made any further contact with it about his financial difficulties.

My final decision

My final decision is that I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 16 June 2020.

Michelle Hayward
Ombudsman