

The complaint

Mrs C complains NewDay Ltd trading as Aqua (NewDay) acted irresponsibly when, on more than one occasion, they increased the credit limit available on her credit card account.

What happened

Mrs C had a credit card account with NewDay and says they increased the credit limit on her credit card account on two occasions when they should have known she was in financial difficulty. Mrs C says leading up to the increases she had various pay day loans, had been in a debt management plan and made cash withdrawals from her credit card account with them. Mrs C says this information would have been known to NewDay when they increased the limits on her credit card account, and they didn't carry out sufficient checks before granting the increases to her available credit limit. Mrs C also feels NewDay failed to respond to her complaint in a reasonable period of time. Mrs C says this has added to her stress and anxiety. She has asked that NewDay refund all interest and fees, amend her credit file accordingly and pay her compensation for the failure to deal with her complaint in a reasonable period of time.

NewDay say when they approved the increased limits on Mrs C's credit card account, they carried out their usual checks including credit reference searches and any previous debt management plans had been settled prior to these increased limits. NewDay says there was nothing to indicate Mrs C was in financial difficulty at the time the limits were increased, and Mrs C was given the opportunity not to accept the increased limits before they were applied to her credit card account. NewDay also say at no time did Mrs C advise them she was experiencing financial difficulties and the majority of her financial problems occurred after the latest credit limit increase was approved.

Mrs C referred the matter to this service as she hadn't had a formal response to her complaint from NewDay.

The investigator looked at all the available information but didn't uphold Mrs C's complaint. The investigator pointed out that we could only look at increases in the credit card limits after September 2014 under the jurisdiction rules by which we are bound. The investigator felt that NewDay carried out sufficient and appropriate credit checks before increasing the credit limits on Mrs C's credit card account. She felt these checks didn't highlight any adverse information that would lead NewDay to believe Mrs C was experiencing financial difficulties at the time.

Mrs C wasn't happy with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I have come to the same outcome as the investigator and I will explain how I have come to my decision.

I was sorry to learn of the stress and anxiety Mrs C has experienced as a result of the financial position she finds herself in and this must have been a difficult time for her. When looking at this complaint I have considered if NewDay carried out reasonable and proportionate checks before making available increased credit facilities to Mrs C.

From the information I have seen NewDay acquired Mrs C's credit card account from another provider and inherited Mrs C's account with a credit limit already in place of £1500. As the investigator has pointed out in her view to Mrs C, while Mrs C's credit card was originally opened in 2008, this service can only look at any increased credit limits approved by NewDay since they acquired the card with a maximum of 6 years prior to the date of her complaint. The investigator referred to our jurisdiction rules, by which we are bound stating :

The Ombudsman cannot consider a complaint if the complainant refers it to the Financial Ombudsman Service:

(2) more than:

a) Six years after the event complained of occurred; or (if later)

b) three years from the date on which the complainant became aware (or ought reasonably to have become aware) that he had cause for complaint

As NewDay haven't consented to us considering anything prior to these dates we can only look at the issues surrounding the credit limit increases made in December 2015 and January 2017. That said, from the information I have seen NewDay only ever increased the limit on Mrs C's credit card on those dates in any event.

Mrs C says NewDay should have been aware that she was experiencing financial difficulties and shouldn't have increased the limits available to her on her credit card account. Mrs C has provided this service with details of various payday loan facilities including a catalogue account facility letter and a list of debts she says formed part of a debt management plan she and her husband had entered into, between 2012 and 2014. Mrs C says this information would have been available to NewDay, as well as the fact she had made cash withdrawals from her credit card account with them - indicating she was suffering financial stress at that time.

I can understand the points Mrs C is making here and I have looked carefully at the extra information she has provided this service. When looking at cases like these I need to understand whether businesses like NewDay have taken reasonable and proportionate checks before approving increased credit facilities. I can see that NewDay have looked at Mrs C's previous credit history with them and from what I have seen while full use of her credit card limit was made by Mrs C, there were no obvious signs of financial stress or regular missed payments.

What happened here is over the time that NewDay had administered the account they only increased the limit on two occasions with at least 12 months between the increases – I am satisfied this is a reasonable period of time to have passed before offering increased credit limits here. While the overall limit increased to a maximum of £2950, this was over several years and wouldn't in itself be out of place given the financial history NewDay had at their

disposal, which would have indicated Mrs C met her previous financial commitments in the 12 months leading up to the increased credit limits they authorised.

While Mrs C says she had made cash withdrawals from her credit card and that is true, these weren't significant in sum and were intermittent over the periods leading up to the time the credit card limits were increased, during the three years of account activity data made available to this service. I can't say this would have given cause for NewDay to believe these cash withdrawals indicated signs of obvious financial issues.

It's worth mentioning this service has been provided with a credit reference search and this shows there are no defaults, county court judgements or missed payments leading up to the time the credit card limits were increased.

With that in mind, I can't see that NewDay would have been aware of any signs of financial stress, and if Mrs C was in a debt management plan between 2012 and 2014 as she points out, this would have been cleared at least 12 months before NewDay instigated the first increased limit in December 2015. It's worth saying that being in a debt management plan, once satisfied, isn't a reason for a lender like NewDay to refuse increased lending facilities going forward, even if they were aware of it, although there's no evidence to support they were. I say this in part, as I can't see that Mrs C ever told NewDay of this previous debt management plan or importantly that she was struggling financially at the time the credit limit increases on her credit card account were offered.

Mrs C has also provided this service with details of various payday loans indicating she was under financial pressure. It's important to say the majority of the payday loan information Mrs C has provided this service, are for loans taken out after the final limit increase in January 2017. One of those loans was drawn in 2015, however, this was short term and repaid and wouldn't have shown any adverse information for NewDay to have been concerned about. By her own admission Mrs C has told this service "her debts spiked from 2017 onwards" and from what I can see that is true, but importantly this is after the last credit card account limit was increased in January 2017.

While Mrs C may not agree, on both occasions the credit card account limits were increased, NewDay gave her the opportunity to decline these, but she chose not to. On these occasions and at any other time leading up to the credit card limits being increased there was an opportunity for Mrs C to have let NewDay know, she was under financial pressure. The fact she didn't, wouldn't be reason in itself to suggest NewDay needn't have taken any further measures to ensure it was reasonable to increase her available credit - but I am satisfied, for the reasons I have given, they did take other proportionate and reasonable steps here.

Mrs C also says she feels NewDay have taken longer than they should to have dealt with her complaint, although this in itself isn't something this service would offer redress for, given it hasn't prevented Mrs C in bringing the complaint to this service.

While Mrs C will be disappointed with my decision, I won't be asking anymore of NewDay here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 1 April 2021.

Barry White
Ombudsman