

The complaint

Mr C complains that NewDay Ltd (trading as Aqua) increased his credit limit irresponsibly on a number of occasions.

What happened

Mr C applied for an Aqua credit card in July 2015. He declared that he was self-employed with an annual salary of £18,000. He was given a credit limit of £250. This was increased on a number of occasions over the next two years, sometimes by Aqua and sometimes at Mr C's request. By September 2017 the credit limit on his account had increased to £4,350. Mr C regularly used the account and maintained monthly payments, often paying more than the minimum contractual amount. Mr C cancelled his card in March 2018. He repaid the balance in full in January 2019.

Mr C recently complained to Aqua. He says he was unemployed and using payday loans to pay his credit card. He says Aqua increased his credit limit irresponsibly. Aqua didn't uphold his complaint so he referred it to us.

One of our investigators looked into things but didn't think the complaint should be upheld. Mr C disagreed so the complaint has been passed to me to consider.

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.

When Mr C first applied for the credit card, he told Aqua he was self-employed and earned £18,000 per year. I'm satisfied Aqua was entitled to rely on this information provided by Mr C. Aqua has shown us it carried out a credit search and this was considered along with the information Mr C had provided. Because on this, Aqua was happy to offer Mr C a relatively low credit limit. Based on what I've seen, I'm satisfied Aqua fairly considered his application when he first opened the card. However, the credit limit was increased a number of times over the next few years. So, I've gone on to consider whether Aqua acted fairly when increasing Mr C's limit.

A number of the credit limit increases were done at the request of Mr C. And when a limit increase was initiated by Aqua, it always wrote to Mr C and told him what he could do if he didn't want the increase. So, I'm satisfied Mr C was aware of and wanted the credit limit increases as I've seen no evidence he told Aqua he didn't want the increases. So, I can't say the increases were done without Mr C's consent or agreement.

When offering a credit limit increase, a lender must carry out checks which are reasonable and proportionate to the amount being lent. Mr C has told us he was unemployed and couldn't afford the credit limit increases. However, I can't see that Mr C ever missed any payments and he often paid more than the minimum monthly amount. So I don't think Aqua had any reason to believe Mr C was struggling financially. And though Mr C says he was unemployed, I can't see he ever told Aqua this or ever asked it for any help due to any

financial difficulties. Aqua has shown that it applied its own underwriting criteria and carried out checks before offering each credit limit increase. And nothing came up on these checks which it thought meant the increases wouldn't be affordable to Mr C.

Mr C has said he'd become increasingly reliant upon payday loans. Aqua has shown us it did look for short term credit, such as payday loans, on Mr C's credit file but didn't find any at the time. I appreciate Mr C has since shown us his credit file does contain information about loans from short term lenders but that wasn't something Aqua saw when it checked. This is because some credit reference agencies won't report all the credit a customer has. This is unfortunate, but Aqua isn't required to check all credit reference agencies.

Overall, I'm satisfied that Aqua did the checks it was required to each time Mr C was offered a credit limit increase. And given that Mr C was able to maintain his payments, and has since cleared the balance, I can't find that the borrowing was unaffordable.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 30 November 2020.

Rob Deadman
Ombudsman