

## **The complaint**

Mr S complains NewDay Ltd ( NewDay) trading as Aqua acted irresponsibly when they increased his credit card account limit.

## **What happened**

Mr S had a credit card account with NewDay and on two occasions, within a period of seven months his credit card account limit was increased. Mr S says that on the second occasion the credit card limit was increased by NewDay, they didn't carry out sufficient checks to ensure he could afford the increase. Mr S says he is now in financial difficulty and NewDay haven't been helpful when he informed them of this. Mr S has asked for all interest and charges to be refunded and the account written off.

NewDay says that they carried out their normal credit assessment when granting the increased credit card limit and considered Mr S's financial situation when approving the increased limit on both occasions. NewDay says that Mr S was given the opportunity not to take up the increase if he wished. NewDay offered Mr S £50 by way of compensation for the poor customer service he received once he'd informed them of his financial circumstances.

Mr S wasn't happy with NewDay's response and referred the matter to this service.

The investigator looked at all the available information and upheld Mr S's complaint. The investigator felt that NewDay could have done more when carrying out their affordability checks and says he didn't feel their actions were proportionate to the credit limit given to Mr S. The investigator told NewDay to refund the interest and charges made to the credit card account and buy back the debt and put right his credit file.

NewDay weren't happy with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said:

*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 a different outcome to the investigator and I will explain how I have come to my decision.*

*I was sorry to hear of the stress Mr S has experienced as a result of the financial situation he finds himself in. When looking at this complaint I have considered if NewDay should have done more here when granting the increased credit card limit for Mr S and whether the checks they carried out were proportionate and reasonable. I have also considered if NewDay acted reasonably when they were informed of Mr S's financial situation.*

*Looking at the first part of Mr S's complaint, what happened here is Mr S originally applied for a credit card account with NewDay which was initially set with a limit of £300 in May 2017, this was increased by NewDay to £900 in August 2017 and then in December 2017*

increased to £1650. Mr S says when the limit was increased to £1650 NewDay should have carried out further checks and this would have shown them his circumstances had changed and he had increased debt elsewhere.

I have considered the point Mr S makes, this is central to his complaint and I have focussed at the time the limit on his credit card was increased to £1650 from £900 as this is when Mr S says NewDay could have done more in the way of financial checks. When considering a complaint such as this we look to see if the checks carried out by NewDay or any bank, are considered to be reasonable and proportionate. What is worth mentioning is that NewDay did carry out credit checks before the credit limit on Mr S's credit card was increased to £1650. One of the considerations I need to make is whether the checks undertaken were proportionate to the level of increased borrowing offered. In this case Mr S declared an income of £16575 on his original credit card application and from what I understand that was based on average weekly earnings, which at the time of the increase to £1650 hadn't changed and if it had this hadn't been made known to NewDay.

When looking at the level of credit provided against income then the limit offered doesn't look unreasonable. That of course isn't the only consideration when banks, like NewDay, increase consumers credit limits. In this case NewDay looked at previous financial data provided via credit reference agencies and from what I have seen, while these show other obligations, these didn't indicate any undue financial stress. The credit limit on Mr S's credit card was utilised fully prior to the increase, but this style of account is set with modest limits at the outset and then reviewed and potentially increased subject to NewDay's internal credit procedures and this is what happened here. There is an instance of an over limit recorded leading up to the increase but it's also fair to say to counter this there had also been occasions when more than the minimum payment was made to Mr S's credit card account. So, on balance, considering the other information available at that time to NewDay, this over limit wouldn't be a reason alone, not to offer a higher level of credit commensurate to Mr S's income. From the information I have seen this was taken into account when NewDay carried out their credit assessment.

I have considered whether or not this level of increase was sustainable and from what I have seen I am satisfied at the point of the increase of Mr S's limit there was nothing to suggest it wasn't. I say this as Mr S lived with his parents at home with a declared income and up until the credit card limit was increased, he had fairly modest other financial commitments. I also understand that Mr S's income may not have been as regular as his declared income implied, but I can't see how NewDay would have known that unless it was offered to them. It's worth mentioning, in the offer letter provided by NewDay it does say "Before you decide what to do you should ask yourself if you can afford to pay back the new limit and if anything is likely to change that may mean you would have difficulty in paying it back."

I am satisfied if Mr S was experiencing financial problems at the time his limit was increased, he was offered the opportunity to have raised it at that time. What is evident, is some time after the increased credit card limit, Mr S's financial situation seems to have deteriorated and then became very difficult once Mr S lost his job, but that was after the increased limit was approved so I can't see that NewDay could have foreseen this. It follows I don't feel that NewDay failed to carry out proportionate checks for the reasons I have given here.

The second part of the complaint concerns how Mr S was treated by NewDay when they were made aware of his financial problems. What happened here was almost a year after the credit card limit was increased Mr S informed NewDay he had lost his job and needed support. NewDay responded to this by placing a 30 day hold on the account giving him time to complete an income and expenditure form they sent. Mr S says he never received the form to complete and NewDay say the next they heard from Mr S was in June 2019, and he

*should have contacted them sooner. Like the investigator I do think that NewDay could have done more to have followed this up knowing Mr S was experiencing financial issues. From the information provided to this service Mr S also contacted NewDay in January 2019 reiterating his financial situation.*

*Mr S contacted NewDay with a partially completed income and expenditure form in June 2019. While I agree, that in itself wouldn't be sufficient for NewDay to have made a proper assessment, like the investigator I feel rather than simply sending a letter requesting a call back, NewDay knowing the problems Mr S was facing could have done more at that point to support him. Having said that I don't think it was unreasonable for NewDay to try and contact Mr S by phone and I can see no evidence to support Mr S was harassed on those occasions.*

*While Mr S will be disappointed with my decision, I am satisfied NewDay carried out proportionate and reasonable checks when increasing Mr S's credit card limit. I do feel NewDay could have done more to support him when they were informed of his financial problems and agree with the investigator a small level of compensation is warranted here to reflect this. NewDay have agreed to pay £50 to Mr S which I feel is fair and reasonable and Mr S should contact NewDay if he wishes to accept this offer.*

I gave both Mr S and NewDay until 11 January 2021 to accept or reject my provisional decision. NewDay have accepted my provisional decision, but I have not heard anything further from Mr S, so the case has been passed back to me to make 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.

I see no need to change or add to my provisional decision, so my final decision remains the same.

NewDay have confirmed the £50 compensation offered is still available to Mr S but they require his bank account details in order to make the payment, so I will leave it with Mr S to contact NewDay to arrange this .

### **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 Mr S to accept or reject my decision before 16 February 2021.

Barry White  
**Ombudsman**