

## **The complaint**

Mr B complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved his credit card then later increased the credit limit.

## **What happened**

In December 2014 Mr B applied for a credit card with Aqua. Mr B's application said he was a tenant, employed earning £24,000 and had unsecured debts of around £300. As part of the application process, Aqua completed a credit check and didn't find any adverse information reported. Aqua approved a credit card with a £300 credit limit. In April 2015 Aqua says it reviewed Mr B's credit card and information from the credit reference agencies and took the decision to increase the credit limit to £600. In January 2016, the credit limit was increased to £1,200.

In May 2016 Mr B repaid the outstanding balance and the credit card was reported as closed on his credit file the following month.

In July 2020 Mr B complained that Aqua had lent irresponsibly. Mr B explained that he had used the full credit limit on the account and asked for payment arrangements to clear the outstanding balance. Mr B told Aqua he had arrears on other commitments and was reliant on pay day lending at the time. Mr B also said he had used his card for gambling which should have caused Aqua to consider whether it was affordable to increase his credit limit. Aqua responded to Mr B's complaint on 20 July 2020 but didn't agree an error had been made. Aqua said it had considered a range of factors before deciding to approve his credit card and increase the credit limit.

Mr B referred his complaint to this service and it was passed to an investigator. They thought Aqua had dealt with Mr B's complaint fairly, so didn't ask it to do anything else. Mr B asked to appeal, so his complaint has been passed to me to make a 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.

Before a business decides whether to lend, we would expect it to complete proportionate checks to ensure that the borrowing is sustainable for its customer. There isn't a specific list of checks a business has to complete, but Aqua has told us it asked Mr B information about his personal and financial circumstances when he applied and looked at his credit file. Aqua has also explained that after Mr B's credit card was approved, it went on to consider how he had handled the account before deciding whether to increase the credit limit. I've considered whether the checks Aqua completed were proportionate and if its decisions to approve the credit card and later increase the credit limit were reasonable, based on what it knew about Mr B.

Mr B's credit card application said he was a tenant and had been employed for around 11 years. Mr B gave details of his income. Aqua also completed a credit check and didn't find

any evidence of defaults or other adverse information. Aqua has sent us details of the information it found and it shows none of the accounts reported on his credit file were in arrears and that, at the time of the application, he owed around £300 to other unsecured lenders.

Aqua says it took the decision to approve Mr B's credit card with a reasonably low credit limit of £300. Mr B has sent us a copy of his credit file that covers the period in question. I didn't find any adverse information, which is in line with the information Aqua says it found. Mr B also said he was borrowing from pay day lenders around this time, but I didn't see entries on his credit file to reflect that.

Some commitments aren't reported to all credit reference agencies. It's possible that some commitments weren't picked up by Aqua or included in Mr B's application. But I think Aqua acted reasonably by considering Mr B's credit file, along with the information he provided in his application, when deciding whether to proceed. Having considered the information available to Aqua when Mr B applied, I'm satisfied it did complete proportionate checks and that its decision to proceed was reasonable.

Aqua increased Mr B's credit limit to £600 in April 2015 and £1,200 in January 2016. On each occasion, Aqua says it used the information Mr B had provided in his original application as well as what it knew about him from the way his account had been handled. Aqua says it also checked Mr B's credit file. Aqua has provided information to show Mr B's payments were made on time and that there was no adverse credit information recorded about him with the credit reference agencies. I think Aqua's checks were proportionate as it used the information he provided as well as details about how his other credit had been handled to consider whether to increase his credit limit. Aqua also considered how Mr B had handled his account before it decided to increase his credit limit.

Mr B has said that he used his credit card for gambling and I can see some transactions for that purpose. But the majority of the transactions I saw were for unrelated spending. I'm not persuaded that Aqua's decision to approve Mr B's credit card or increase his credit limit was unreasonable based on the information available in this case.

Mr B has told us that he had to enter a payment arrangement with Aqua, but that's not something I found evidence of in his statements or its records. When consumers tell a business they're in financial difficulties and need help, I would expect them to be treated positively and sympathetically. I've looked at what happened in this case. From the information available, it appears that Aqua increased the credit limit to £1,200 in January 2016 and Mr B repaid the credit card in May 2016. The account was closed a short time later. There is no record of any payment arrangements or Aqua being told Mr B was having trouble making his payments. I'm sorry to disappoint Mr B but I haven't found that Aqua treated him unfairly and the information doesn't show it was aware he was experiencing financial difficulties.

I'm very sorry to disappoint Mr B but based on all the available information, I think Aqua did complete proportionate checks before it approved his credit card and later increased the credit limit. And, based on the information available to Aqua and what it knew about Mr B's circumstances, I think its decision to lend was fair and reasonable in the circumstances. As I haven't found Aqua treated Mr B unfairly and I'm satisfied it dealt with Mr B's credit card fairly, I'm not telling it to take any further action.

## **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 March 2021.

Marco Manente  
**Ombudsman**