

The complaint

Mr V complains that NewDay Ltd trading as Aqua irresponsibly lent to him and the lending was unaffordable.

What happened

Mr V says he took out an Aqua credit card account but Aqua didn't check his finances which would have shown his financial difficulties. He says the lending was unaffordable and Aqua irresponsibly increased his credit limit. Mr V also complains that Aqua allowed him to take out a loan for £4,000 which was also unaffordable and later registered a default on his credit file. He says he didn't receive the credit limit increase letters or the default letters.

Aqua says it considered both loan and credit card applications and carried out appropriate checks. It says Mr V didn't have any defaults or adverse information on his credit file save one account in arrears. It also says Mr V declared a household income of over £40,000 which it checked as well as limited unsecured debt. Aqua says it approved the credit application in 2017 with a credit limit of £600 which it increased twice following appropriate account management.

Aqua says the loan was approved for £4,000 in 2018 and both accounts were defaulted in 2019. It says it agreed a repayment plan, but it correctly sent default letters to Mr V following a change in his circumstances.

Mr V brought his complaint to us, but our investigator didn't uphold it. The investigator thought Aqua had carried out appropriate and proportionate checks on both applications and considered Mr V's account management. The investigator didn't think Aqua responsible for Mr V not receiving the letters and thought Mr V could have rejected the credit increases.

Mr V doesn't accept that view and maintains he didn't receive the letters and appropriate checks were not carried out.

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 overall view that I don't uphold this complaint. I appreciate Mr V will be disappointed by my decision.

Lenders should carry out reasonable and proportionate checks on any credit applications. Those checks will of course vary depending on the type of lending and the amount. I'm satisfied that having looked at Aqua's records Mr V declared a household income of over £40,000. I'm also satisfied that Aqua carried out checks on that income and Mr V's outgoings and that it correctly checked Mr V's credit file which showed no adverse information such as defaults or County Court Judgements (CCJ's). So, I think that Aqua carried out appropriate and proportionate checks on the credit card application and in any event a relatively modest

credit limit of £600 was approved. I appreciate Mr V says he was in financial difficulties, but I don't think he has provided any evidence of that.

I have looked at Mr V's credit card statements and I think he appropriately managed his account leading up to the credit limit increases. So, I don't think Aqua's decision to allow those increases was irresponsible and that they were correctly assessed. I also think the latest credit limit was again relatively modest and took the credit limit to amount under £2,000.

I appreciate Mr V says he didn't receive the letters from Aqua about the credit limit increases. But I'm satisfied that the information was contained clearly on the account statements and Mr V must have been aware of the increases as he used them. If Mr V wished to reject the credit limit increases, then I would have expected him to have told Aqua that or made contact with it about those increases the time. I can't fairly hold Aqua responsible for Mr V not receiving any of the credit limit increase letters or the default letters as it's not involved in the delivery of mail.

I'm satisfied that Aqua also carried out reasonable and proportionate checks on the loan application and again considered as well as checked Mr V's income and expenditure. I can also see that Mr V made the required loan repayments for some months after the loan was approved which I think provides additional evidence that the loan was affordable at the time it was approved.

I think it likely that Mr V's personal circumstances changed after the loan and credit card were taken out, but I can't fairly hold Aqua responsible for that. Lenders should treat customers in financial difficulties positively and sympathetically. I can see that Aqua agreed a repayment plan and stopped interest and also provided details of debt problem organisations. But I also think it clear that Mr V could no longer afford to repay his borrowing. And so, I don't think in those circumstances that Aqua made a mistake by concluding that the relationship between it and Mr V had broken down and by registering a default on his credit file. I find that lenders must report accurate information about their customers accounts to the Credit Reference Agencies and that is what took place here.

Overall, I'm satisfied that Aqua has fairly and correctly assessed Mr V's credit and loan applications and didn't make a mistake by increasing the credit limit on the credit card account. I also don't think Aqua made a mistake or acted unfairly by registering a default on Mr V's credit file and so can't ask it to remove it.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 18 May 2021.

David Singh
Ombudsman