

## **The complaint**

Mr S complains about NewDay Ltd ("NewDay") for credit limit increases which were offered to him on his Aqua and Marbles cards. He believes that these increases were irresponsible as he had substantial other debt and he had high spending on gambling on his cards. He wants NewDay to refund interest charged to his cards.

## **What happened**

Mr S has previously experienced issues with credit.

In autumn 2015, he applied for an Aqua credit card with NewDay. He declared that he had an income of around £24,000 and unsecured debt of around £7000.

His application was assessed and granted, and he was issued an Aqua credit card with a credit limit of £600. The card had an APR of 34.9%.

Mr S spent on the card, predominantly on gambling websites.

Within 2 months of having the card he had spent almost to his credit limit. By December 2015 his balance was at around £594, against a £600 credit limit.

In December 2015, NewDay wrote to Mr S indicating that he was eligible for a credit limit increase, to £1600. This letter gave the option to Mr S to refuse the increase.

Mr S did not refuse the increase and his limit was increased. His spending, including on gambling sites, continued and his balance increased to near to his new credit limit. Between March 2016 and June 2016 Mr S exceeded his credit limit twice, incurring fees. There was little new spending on the card over this time, and Mr S made his minimum payments.

In June 2016, NewDay wrote to Mr S indicating that his card credit limit would be increased again, to £2200. This again gave him the opportunity to reject the credit limit increase, but he did not. His credit limit was increased and Mr S's spending continued, with his balance increasing to his new limit.

Around October 2016, Mr S applied for a Marbles credit card. He was approved and issued a credit card with a £300 credit limit. This card had an APR of 39.9%.

Immediately, Mr S spent on the card, again with predominantly transactions to gambling sites, and within two months his balance was very close to his credit limit. His balance remained close to his credit limit, with him paying minimum payments.

In May 2017, NewDay wrote to Mr S offering to increase his credit card limit on his Marbles card to £750. This letter gave him the option to decline the credit limit increase.

Mr S did not respond and his credit limit was increased in May 2017, to £750. Mr S resumed spending on the card and his balance increased.

Mr S fell into difficulties meeting his minimum payments on his debt around spring 2018. Mr S made a repayment arrangement with NewDay but this failed.

In August 2018, NewDay defaulted Mr S's accounts and sold the debt to a third party. Mr S has entered into a debt repayment arrangement.

Mr S complained to NewDay. He felt that the unsolicited offers to increase his debt were irresponsible and had made his situation worse.

NewDay sent its final response in June 2020. It did not uphold his complaints and indicated that it considered all credit increases had been correctly offered. As a goodwill gesture, however, NewDay offered to refund to Mr S all cash advance fees which had been charged to his credit cards, totalling £228 and £27.60 respectively.

Mr S was not satisfied with this response and contacted us.

One of our investigators has looked into this matter and set out her view to the parties. This was that NewDay had acted reasonably and she did not recommend it do anything further.

Mr S did not accept that view and asked for an ombudsman decision.

### **My provisional decision and the parties' responses**

I issued a provisional decision on this complaint in March 2021. In that provisional decision I set out that, on the evidence available, I considered that the decisions to offer Mr S credit limit increases were irresponsible and that Mr S's complaint ought to be upheld.

That provisional decision has been shared with the parties and they have been given the opportunity to comment and provide any further evidence they wish.

Mr S has responded and indicated that he had nothing further to add.

NewDay has responded disagreeing with my provisional view and making further submissions.

NewDay stated that at the time of Mr S's credit limit increases, NewDay did not have access to full information about his level of unsecured debt as, at that time, NewDay only consulted one credit reference agency.

NewDay states that Mr S did not alert NewDay that he had an issue with gambling, and that if he had done so NewDay would have made efforts to help him.

NewDay also comments on the interest rates applicable to the cards and says that the high rates account for the fact that NewDay accepts applicants who have had difficulties before.

### **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 have considered NewDay's comments and these do not change my provisional decision.

I accept that NewDay may have only held partial information about Mr S's other debt when it offered the increases, but I do not accept this makes the decision to offer additional debt reasonable.

The information available to NewDay included Mr S's spending patterns and that the majority of Mr S's card use was on gambling. It also showed that his credit balance remained at or close to his limit for a substantial period. I consider that it should have been apparent to NewDay that gambling was a big factor in Mr S's indebtedness, whether he alerted NewDay specifically or not.

In any event, NewDay has described that it offers credit to consumers who otherwise would be denied credit due to past history. It states that it does so to enable customers to use credit well and rebuild their credit scores.

The evidence available shows that the way that Mr S was using his credit was not going to help him improve his credit score significantly. Whilst he was usually meeting his minimum payments this should not be the aim of borrowing, and he was not reducing his debt by any measure.

Offering him the chance to increase his level of debt, when gambling was a clear factor in his spending, would do little to benefit Mr S.

Consequently, I adopt my provisional decision, as supplemented by these reasons, as my final decision, and uphold Mr S's complaint.

### **Putting things right**

I accept that Mr S had some benefit from his spending, and so he should repay the capital balance. This should, however, be amended to remove the additional costs of borrowing that have been added to the balance.

In order to put things right, NewDay must:

- Refund to Mr S all interest incurred from balances above his initial credit limits (£300 for the Marbles card and £600 for the Aqua card);
- Refund all fees and charges applied to the accounts;
- The above refunds should be credited to his outstanding debt balance.
- If the above refunds result in a credit balance owed to Mr S, interest should be applied to this at the rate of 8% p/a from the date of his overpayment up until the date of settlement and paid to Mr S;
- All defaults and negative payment information, including arrears, defaults, late payments and over limit markers should be removed from Mr S's credit file; and
- NewDay must to pay to Mr S £200 compensation for his distress and inconvenience.

### **My final decision**

For the reasons given above, and given in my provisional decision, I uphold Mr S's complaint and direct NewDay Ltd to:

- refund to Mr S all interest incurred from balances above his initial credit limits (£300 for the Marbles card and £600 for the Aqua card);
- refund all fees and charges applied to the accounts;

- The above refunds should be credited to his outstanding debt balance.
- If the above refunds result in a credit balance owed to Mr S, interest should be applied to this at the rate of 8% p/a from the date of his overpayment up until the date of settlement and paid to Mr S;
- Remove from Mr S's credit file all defaults and negative payment information, including arrears, defaults, late payments and over limit markers which it has added; and
- pay to Mr S £200 compensation for his distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 May 2021.

Laura Garvin-Smith  
**Ombudsman**