

The complaint

Ms J complains that NewDay Ltd, trading as Aqua, raised the credit limit on her credit card to the point where she can no longer afford the repayments.

What happened

The details of this complaint are well known to both parties, so I will not repeat them again here. The facts are not in dispute so I will focus on giving the reasons for my 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 realise this will come as a disappointment to Ms J but having done so I won't be upholding this complaint for the following reasons:

- When Ms J applied for her credit card in 2019 she told Aqua she was living with her parents, employed, with an annual income of £21,000 and another debt of £200. Aqua said this type of account is 'second chance lending' and it wouldn't be unusual to see applicants with poor credit. It provided its underwriting data which indicated no accounts in arrears and no debt management/repayment plans. It said there were previous defaults and a public record, but these were 31 and 18 months prior to application and so were within its policy. So, I consider the £250 limit to be affordable at that time.
- The first credit limit increase was in January 2020 to £1,500. During the previous few months Ms J kept within her limit and payments were on time and in full. As Ms J didn't declare a change in circumstances to Aqua and her account was in good order, I'm persuaded the increase seems affordable at that time.
- From July to October Ms J increased her spending but kept below £820, but still made regular payments greater than the minimum amount.
- Aqua raised the credit limit again on 19 October. Ms J had not declared a change in living or employment circumstances and again as Ms J kept her account in good order I'm persuaded the increase seemed affordable at that time.
- Aqua's contact records from 19 October show Ms J was offered £2,250 limit but in a phone call she asked for £2,000. Ms J brought her complaint to Aqua on 10 November and said it raised her limit to an unexpected and unnecessarily high limit. She hasn't said exactly when she was made redundant, but it seems to be around this time. So, I'm persuaded Ms J should have made Aqua aware of the change in her employment and living circumstances during this time so Aqua could re-evaluate the situation.
- I notice Ms J's spending increased in November despite her complaint to Aqua. This included a single transaction for £588 on 6 November to a retail outlet, four days prior to the complaint, and transactions to a total of £123 in retail outlets three to four days after the complaint.

- Ms J told us that she gave her parent's address when she applied for the credit card so Aqua was unaware she was living in rented accommodation. This means her disposable income would have been much lower than it will have calculated.
- When looking at affordability I'd expect Aqua to make appropriate checks on disposable income which would include taking into account any living expenses such as rent and utilities. At the time of the credit increase the information Aqua based its decisions on included that Ms J was living with her parents, so it wouldn't be fair of me to hold Aqua accountable for not knowing she was in rented accommodation with the associated bills.
- Ms J was made redundant either after the second increase in credit limit or around that time and failed to inform Aqua, so, while I do understand the credit may now be unaffordable for Ms J, again I can't hold Aqua responsible for this unforeseen circumstance.

If Ms J is continuing to have financial difficulties, in its final response letter Aqua has invited Ms J to contact its customer care team to assist her further. It also listed the contact details of various organisations which may be able to assist her.

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 Ms J to accept or reject my decision before 17 June 2021.

Maxine Sutton
Ombudsman