

The complaint

Mr W complains that NewDay Ltd trading as Aquacard have irresponsibly lent to him when they increased his credit limit on his credit card.

What happened

Mr W made an application for an Aqua credit card in November 2019. Mr W told Aqua that he earned £37,600, had other household income of £17,500 and had unsecured debt of £1,000. The application was accepted by Aqua and an account was opened with a credit limit of £450. In February 2020, Aqua wrote to Mr W and told him they were going to increase his Aqua credit card limit to £1,450 on 1 April 2020, but if he wanted his credit limit increased earlier, he could do so. Mr W increased the limit in February 2020.

Mr W complained to Aqua in December 2020. He said they should never have increased his Aqua credit limit as he had taken out a new credit card in December 2019 and a loan for £3,800 in January 2020. He said he had only had his Aqua card for three months before they increased the limit. Mr W asked Aqua for a refund of fees and interest he'd paid and statutory interest.

Aqua did not uphold Mr W's complaint. They said that they had carried out an in depth evaluation when they offered to increase the credit limit. The checks they made included investigating if Mr W exceeded his credit limit, instances of late or missed payments, the payments he made, the proportion of the credit limit he utilised, how he utilised the credit, internal and external repayment plans, arrears status of external accounts and overall external credit that Mr W had access to and used.

Mr W brought his complaint to our service. Our investigator did not uphold his complaint. She said the checks Aqua completed were proportionate to the credit limit increase and he had managed his account well. Mr W asked for an Ombudsman to review his complaint.

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.

Aqua are entitled to decide who to lend to and, if they're willing to lend, how much and on what terms. What Aqua need to have done before lending to Mr W, is to have made proportionate and reasonable checks to see whether the credit card was affordable and sustainable for him.

So I've thought about what checks Aqua have said they've done when they increased Mr W's credit limit. And if these checks were proportionate in Mr W's circumstances and I'm persuaded they were. I say this as Aqua had considered a number of factors which included Mr W's internal and external borrowing behaviour, payments made on credit accounts, the amount of available credit Mr W had access to, late or missed payments, his income and other checks.

I've considered how much Mr W's credit limit has been increased by. While it is more than three times the original credit limit, the increase is for £1,000. So I've looked at his borrowing around this time and considered whether the checks that Aqua have completed would be proportionate for Mr W's credit limit increase.

I've looked at Mr W's credit file for the month before his limit was increased. Mr W has said he took out a loan in January 2020 for £3,800. But taking a loan for £3,800 does not necessarily mean that Mr W would be in financial difficulty at the time, or in the future, or that he needed to take a loan to keep on top of his unsecured borrowing. I say this as Aqua's information shows Mr W had unsecured borrowings of £1,000 prior to them opening his credit card. So I'm satisfied that the loan was not taken out to help pay his debt off – as he didn't use the loan to pay off his unsecured borrowing. The loan was significantly higher than his outstanding debt in January when he took out the loan.

I've also considered the fact that Mr W had other credit cards/mail order accounts and Mr W has said that in January he had only just opened a credit card account with a different company. But Aqua will have seen from their checks that the outstanding balance and credit limits of these accounts were relatively low compared to Mr W's income.

I've looked at the available credit/outstanding borrowing Mr W had in January 2020, shortly before the credit limit was increased. Aqua say this was part of their proportionate checks. Mr W says the loan he opened was for £3,800. Mr W had two mail order accounts which appear to have a £250 credit limit each, he had two credit cards in addition to his Aqua card. One had a credit limit of £250 and another had a credit limit of £550. The total amount of unsecured borrowing (including any unused credit he could use) totalled £6,550 after Aqua increased his credit limit to £1,450. This is a relatively small proportion of the £37,600 income that Mr W declared on the application.

But there would be other proportionate checks to consider. And Aqua have mentioned some of these. Aqua will have seen that Mr W had often paid more than the minimum payment on his credit cards. This would indicate that Mr W was able to maintain his payments and didn't struggle to make payments. He didn't make any cash withdrawals from credit cards and rarely exceeded his credit limit or missed payments. Aqua will have seen that Mr W wasn't using payday loans and generally kept his credit agreements in good order. So even though Mr W had his Aqua account open for only three months before they offered to increase his credit limit, I'm satisfied that the checks Aqua made were proportionate to the level of the credit card increase and his overall borrowing. So it follows I won't be asking Aqua to do anything further.

My final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 July 2021.

Gregory Sloanes

Ombudsman