

## **The complaint**

Mr T is unhappy that NewDay Ltd, trading as Aqua, increased the credit limit on his credit account, which he feels was unaffordable for him at those times.

## **What happened**

In December 2014, Aqua increased the credit limit on Mr T's account from £600 to £1,350. Aqua later increased Mr T's credit limit again, in June 2016, from £1,350 to £2,150. Sometime later, in February 2019, Aqua defaulted Mr T's account due to unpaid arrears and told the account to a debt purchasing company.

In July 2020, Mr T raised a complaint with Aqua on the basis that he felt that the credit limit increases that Aqua had given him weren't affordable for him at those times.

Aqua looked at Mr T's complaint, but they felt that they'd undertaken reasonable checks into Mr T's financial position at the times of the credit limit increases, and that there had been nothing resulting from those checks that had given them cause to consider that the credit limit increases might not be affordable for Mr T. So, they didn't uphold the complaint.

Mr T wasn't satisfied with Aqua's response, so he referred his complaint to this service. One of our investigators looked at this complaint. They felt that there hadn't been any information available to Aqua at the time of the first credit limit increase in December 2014 that should have given Aqua cause for concern.

However, our investigator also felt that it was evident, at the time of the second credit limit increase in June 2016, that Mr T's financial position had deteriorated such that Aqua should have considered that the credit limit increase would have been unaffordable for Mr T at that time. So, they recommended that the complaint be upheld in Mr T's favour on that basis.

Aqua didn't agree with the recommendation put forward by our investigator, so the matter was escalated to an ombudsman for a final 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.

It's up for a business to decide whether it will offer credit to a customer, and if so, on what terms. What this service would expect would be, if that business were considering increasing the credit limit available to a customer, that that business would undertake reasonable and proportionate borrower focussed checks to ensure that the additional credit being offered is affordable for that customer at that time.

Aqua say that they did that here. They reviewed Mr T's management of his Aqua account and they looked at Mr T's credit file to gain a wider understanding of his financial position. And Aqua maintain that there was nothing resulting from these checks that gave them cause to consider that the credit limit increases being offered wouldn't be affordable for Mr T at those times.

With regard the first credit limit increase in December 2014, I'm satisfied that it was reasonable for Aqua to conclude that the credit limit increase would be affordable for Mr T, and this is because there doesn't appear to be anything in the information available to me which should have given Aqua cause to suspect otherwise. It's also the case that Mr T was generally managing his Aqua account well at that time. So, I would find it difficult to conclude that Aqua acted unfairly or unreasonably toward Mr T by increasing the credit limit as they did.

However, by the time of the second credit limit increase in June 2016, things looked noticeably different, and it's evident from Mr T's credit file that he had experienced financial difficulties, and might be continuing to experience such difficulties, at the time that Aqua implemented the second credit limit increase.

For instance, there are a significant number of payday loans visible on Mr T's credit file taken in the time between the first and second credit limit increases. The use of payday loans can be an indicator that a person is experiencing financial difficulties. And in this instance, when considered alongside other potential indicators of financial difficulty, including recent arrears on several other accounts as well as Mr T's overall level of external debt markedly increasing, I feel that there was compelling evidence available to Aqua such that they should have questioned whether the second credit limit increase was affordable for Mr T at that time.

It's also notable that Mr T's management of the Aqua account in the time leading up to the second credit limit increase wasn't without incident, with several over-limit and late payment fees being charged.

It follows from this that I don't feel that Aqua did conduct reasonable and proportionate borrower focussed checks before implementing the second credit limit increase in June 2016, and that the information that Aqua did check should have given them cause to suspect that the credit limit increase wasn't affordable for Mr T at that time.

I also feel that if Aqua had conducted more robust checks, as I feel would have been reasonable and proportionate, that those checks would have confirmed to them that Mr T couldn't afford the credit limit increase being considered, such that Aqua shouldn't have implemented the credit limit increase they were considering.

I realise that this won't be the outcome that Aqua were wanting here, but it follows that I'll be upholding this complaint in Mr T's favour on that basis. I hope that Aqua can understand, given everything that I've explained, why I have made the final decision that I have.

### **Putting things right**

Aqua must reimburse to Mr T's account all interest applied to balances over £1,350 since June 2016. Aqua must also reimburse all fees and charges applied to Mr T's account since June 2016.

If these reimbursements result in a credit balance in Mr T's favour, Aqua must return this balance to Mr T along with 8% interest calculated from the date of the interest, fee, or charge being reimbursed to the date of payment to Mr T.

Aqua must also remove all adverse reporting from Mr T's credit file from June 2016 onwards.

### **My final decision**

My final decision is that I uphold this complaint against NewDay Ltd, trading as Aqua, on the

basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 24 June 2021.

Paul Cooper  
**Ombudsman**