

The complaint

Miss G complains that NewDay trading as Aqua irresponsibly allowed her to open two credit card accounts and later increased the credit limit. She complains that the lending was unaffordable.

What happened

Miss G says her credit card accounts were unaffordable and NewDay didn't check her credit file before deciding to lend. She would like the interest refunded and the accounts cleared as well as any adverse information removed from her credit file.

NewDay says Miss G opened two credit card accounts in 2013 and in July 2015. It says it doesn't give us permission to look at the opening of the 2013 account as that took place more than six years before Miss G brought her complaint. NewDay says any credit limit increases and applications were correctly assessed, and Miss G said she had an income of £14,000 initially and £17,500 in 2015. It says there was a number of years between the lending and a default previously recorded on Miss G's credit file and that she had limited debt when the account was opened which increased to just over £5,000 in 2015. It also says the credit limit increases were appropriately assessed but Miss G told it about financial problems in 2016 and didn't keep to agreed repayment plans and so both accounts were defaulted.

Miss G brought her complaint to us and our investigator upheld it but thought we could only look at events from 2014. The investigator thought in summary that Miss G had missed payments and was over her credit limit prior to credit limit increases and the second account being opened. And Miss G was in high levels of debt with a low income. The investigator thought the lending and increases were unaffordable and recommended interest be refunded and Miss G's credit file be amended.

NewDay doesn't accept that view and says it considers three months over a credit limit rather than two as an indicator of affordability and also says Miss G didn't have any payday lending and didn't appear to be in financial difficulties until sometime after the second account opened. NewDay says there were limited cash withdrawals and one missed payment.

I asked both sides for further information and asked NewDay to provide the account statements from 2014 until the start of 2016. Miss G says she can't get her credit file and hasn't told us why she can't. And hasn't told us if she agrees with the investigator's view about not being able to look at events before 2014. I will of course look carefully at the credit file if Miss G can get a copy.

My provisional decision

I issued a provisional decision on this complaint and thought that NewDay's lending and credit limit increases were not unaffordable or irresponsible.

I explained that lenders should carry out reasonable and proportionate checks on any credit application. And that those checks will of course depend on the type of lending and the amount. I was satisfied that the lending here was in the form of two credit card accounts rather than for example a loan.

I thought the investigator explained the rules we operate under that are called DISP. Those rules in summary say we can't generally look at a complaint more than six years after the event complained of or if later, three years after a complainant knew or ought reasonably to have realised, they had cause to complain. I said that means I couldn't look at events before 2014 which included the opening of the first credit card account but said I could look at the credit limit increases.

Miss G hasn't told me if she agrees with the investigator's view on that issue and that is why I said that I hope she tells me what her view is or when she knew she had cause to complain. I said I can consider a complaint outside of those time limits if there were exceptional reasons that prevented a complaint being brought in time. And I could see that NewDay doesn't give us permission to look at events before 2014.

I looked carefully at NewDay's records and saw that Miss G had a regular income that she declared of between £14,000 and £17,500. I didn't think based on the evidence I had seen that Miss G had significant debts and I had not seen any evidence of any financial difficulties until sometime after the accounts were opened and after the credit limit increases were approved. I appreciated Miss G says NewDay didn't check her credit file, but I was satisfied it did carry out reasonable and proportionate checks and I didn't think Miss G provided us with her credit file or told us what may have been recorded on it that would have shown the lending was unaffordable.

I accepted that Miss G exceeded her credit limit on occasions and missed one payment. I also accepted that she used her credit limit before the increases. But I also thought the accounts were reasonably well managed, there were no recent defaults or adverse information such as a County Court Judgement. And I could only see one missed payment from 2014 to 2016 which I thought provided evidence that the lending was affordable.

I thought on balance that Miss G's circumstances changed at some point towards 2016 and saw NewDay had a record of a conversation in which she told it in 2016 she was in financial difficulties and was experiencing a temporary reduction in income. I didn't think NewDay could have known that when deciding to lend or increase the credit limit. And could see that repayment plans were fairly agreed that Miss G was unable to keep to.

Overall my provisional view was that NewDay carried out reasonable and proportionate checks on the credit limit increases and, on the decision, to open the new account. I thought the overall lending was relatively low with a credit limit of £250 on one account and just over £1,000 on the other. I accepted there were some account management issues but not enough to conclude the lending was irresponsible. I made clear to Miss G that even if I upheld her complaint then I would not order the account be cleared as I thought she had the benefit of the money.

Miss G doesn't accept my provisional view and maintains that checks were not carried out and that there was adverse information on her credit file. Miss G hasn't provided a copy of her credit file.

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 reached the same decision that I did in my provisional decision and for the same reasons. I'm satisfied Miss G could have provided us with either her credit report or further evidence about her debts at the time but hasn't done so. I have made clear that I'm satisfied reasonable and proportionate checks were carried out on the application and credit limit increases.

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 Miss G to accept or reject my decision before 18 August 2021.

David Singh
Ombudsman