

The complaint

Mr B complains that NewDay Ltd trading as Aqua lent irresponsibly when it increased his credit limit on several occasions.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. In my provisional decision I said:

Mr B had an existing credit card with NewDay with a credit limit of £1,400.

In February 2014 Mr B successfully applied for a credit card with Aqua and was given a £250 credit limit. In Mr B's application, he told Aqua that he was employed and earned £24,000.

In May 2014 Aqua increased Mr B's credit limit to £750. In November 2014 Aqua increased Mr B's credit limit to £1,000. In March 2015 Mr B's credit file shows he had a County Court Judgement recorded. In the same month, Aqua increased Mr B's credit limit to £2,000. In August 2016 the credit limit was increased to £3,000 and in February 2017 it was increased to £4,250.

Last year, Mr B complained that Aqua had lent irresponsibly when it increased his credit limit. Aqua didn't agree and said the credit limit increases had been applied in line with its lending criteria and the information it knew about Mr B. Aqua also said Mr B hadn't told it he was experiencing financial difficulties.

Mr B referred his complaint to this service and it was passed to an investigator. They upheld Mr B's complaint and said Aqua should've been aware of the CCJ on Mr B's credit file in March 2015 so should've completed better checks before increasing his credit limit. Aqua didn't agree and pointed out the information it obtained from the credit reference agency didn't show an increased risk of financial difficulties at the points it had increased Mr B's credit limit. Aqua asked to appeal, so Mr B's complaint has been passed to me to make a decision.

What I've provisionally 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'm sorry to disappoint Mr B but I've reached a different view to the investigator concerning whether Aqua lent irresponsibly when it increased his credit limits. I haven't found that Aqua lent irresponsibly in this case.

Before agreeing to lend, a business should carry out proportionate checks to ensure the debt is affordable and sustainable for the consumer. There's no set list of checks a business has to complete but they type or amount of credit and what they know about the applicant may cause it to carry out additional checks before deciding whether to proceed.

I've looked at each credit limit and the information Aqua had available. Aqua says it took the information Mr B gave in his application form into account. Aqua has also sent us affordability data that shows the information it found on Mr B's credit file. Mr B had another credit card with NewDay, so the lender also had details of how he'd handled that account available as well.

For broadly the same reasons as the investigator has given, I agree that the initial credit limit increases from £250 to £1,000 between May 2014 and November 2014 were fair. Each time, Aqua looked at Mr B's credit file and didn't find an increase in overall borrowing or adverse credit. I can see Mr B had a late payment on his other NewDay credit card in February 2013, but Aqua has confirmed this was taken into consideration. Mr B was up to date with his payments and wasn't showing signs of financial difficulties. I'm satisfied Aqua lent responsibly.

Our investigator advised Aqua that they had seen a credit report from Mr B that showed he had a CCJ recorded in March 2015 and feels that should've been an indication he was struggling financially. They said that, had Aqua carried out proportionate checks it would most likely have not proceeded with the credit limit increase.

The issue I have is that the date Mr B's CCJ was granted in March 2015 was the day before Aqua increased his credit limit. Whilst I appreciate Mr B did have a CCJ, that information generally takes some time to show on a credit file. I'm not persuaded it was showing with the credit reference agencies when Aqua decided to increase Mr B's credit limit to £2,000 in March 2015. So I've looked at the other information Aqua had available. Whilst the CCJ wasn't specifically noted on the information Aqua received from the credit reference agencies, I can see that in April 2015 (the month after the credit limit increase) a potential financial difficulties indicator was added. I think that reflects the new CCJ on Mr B's credit file.

The information Aqua obtained from Mr B's credit file for March 2015 doesn't show any new adverse information or arrears. Mr B's other credit card balances appear to have reduced slightly in the months before. And I note that Mr B had a £1,000 credit limit but his balance was generally £700 or less. I haven't found signs that would indicate to Aqua that Mr B was experiencing financial difficulties in March 2015 when it approved his credit limit. And I'm satisfied the credit limit increase was in line with Aqua's lending criteria. I haven't been persuaded that Aqua lent irresponsibly when it increased Mr B's credit limit in March 2015.

As I've said above, I can see the information Aqua obtained from the credit reference agencies changed in April 2015, the month after the CCJ was granted. The affordability data shows an increased risk of financial difficulties between April 2015 and August 2015. But in September 2015 the information provided by the credit reference agencies removed the marker that indicated Mr B was at risk of financial difficulties. I'm satisfied the credit data Aqua obtained took Mr B's CCJ into account.

In August 2016 Aqua increased the credit limit to £3,000 and in February 2017 it was increased to £4,250. I've looked at the information Aqua had available each time. Mr B's credit card accounts were well managed without missed payments. Mr B's outstanding balance wasn't close to his credit limit before it was increased from £2,000 to £3,000, only exceeding around £1,450 once. Again, after the credit limit was increased to £3,000 Mr B generally kept a lower balance. In September 2016 he owed £1,830 but in all the other months, Mr B's outstanding balance was around £1,050. I don't think the way Mr B was operating his credit card accounts showed signs he was experiencing financial difficulties that should've caused Aqua to carry out more comprehensive checks.

In February 2017 Aqua applied the final increase to Mr B's credit card, taking the limit to £4,250. Again, the credit file information Aqua obtained beforehand didn't show sharp increases in Mr B's levels of debt. There was no new adverse credit reported or arrears found. Mr B's existing credit limit was £3,000 but, except for one month, his outstanding balance was generally just over £1,000. As the information Aqua saw didn't show anything that indicated Mr B was experiencing financial difficulties or struggling to maintain his payments I haven't found it lent irresponsibly when it increased his credit limit.

Based on the information I've seen so far, I haven't found that Aqua lent irresponsibly when it increased Mr B's credit limit between 2014 and 2017.

I asked Mr B and Aqua to respond with any new information they wanted me to consider before I made my final decision. We didn't hear back from Mr B. Aqua responded and confirmed it accepted my provisional 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.

As neither party has provided new information for me to consider, I see no reason to change the conclusions I reached in my provisional decision. I haven't found Aqua lent irresponsibly, for the same reasons.

My final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 August 2021.

Marco Manente
Ombudsman