

The complaint

Miss F complains that NewDay Ltd trading as Aqua (Aqua) lent to her irresponsibly.

What happened

In November 2014, Miss F applied for a credit card from Aqua. She was given a limit of £250. The limits were then increased as follows:

Date	Limit
November 2014	£250
March 2015	£1250
July 2015	£2450
November 2015	£3700
August 2016	£4700

Miss F repaid and closed the account in November 2016 with a payment of £4896.13.

Miss F complained that Aqua shouldn't have increased her limits. He was only 19 when she applied for the card and didn't have any credit history. She only earned £800 per month. Her outgoings were £500 a month. By 2015, she was on maternity leave and earning £600 a month. She couldn't make the minimum payments. She relied on taking out payday loans to make ends meet.

Aqua said Miss F passed their credit checks. She told Aqua she was earning £13000 a year with other unsecured debts of only £300, she was living with her parents. She had no defaults or payday loans showing, or any adverse information on her credit file. She had the chance to opt out of the offered increases but didn't. There weren't any signs of difficulties at each increase – such as late or missed payments, instances of exceeding the credit limit, proportion of credit limit used and evidence of other debts. So – they said they'd acted responsibly.

Miss F brought her complaint to us. Our investigator said we couldn't look at the first issue of the card as it was more than six years before Miss F's complaint. She considered the increases in limits up to and including the increase to £3700 in November 2015 to be OK. There wasn't any significant borrowing with other lenders, payments to Aqua were being made, and there wasn't any evidence of late payments or over limit situations. But – looking at the increase to £4700 in August 2016, she could see there had been excesses over the previous limit. Overall debts had increased to over £13000 and there were payday loans in evidence. So, she considered the last increase to be irresponsible. She said Aqua should refund interest and charges from August 2016 and pay 8% simple interest on the fees and

charges from the date they were paid to the date of settlement.

Aqua didn't respond - and so Miss F's complaint came to me to look at.

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.

Miss F says she shouldn't have been given the first increases as she was young and had no track record. I can see where she's coming from but equally of course – everyone must start somewhere to build their credit history. So – that's not really a reason for Aqua to have declined to lend to her.

I can see that she told Aqua that she earned £13000 a year – and lived at home with her parents. Her other debts were only £300. She says her outgoings were about £500 a month. In 2015, she went on maternity leave which reduced her income to £600 a month. So, I can see things must have been tight.

All lenders have an obligation to lend money responsibly. We must check whether Aqua acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments.

So, I've looked at how Aqua assessed her account at the time of the increases. I agree with our investigator that we can't look at the first issue of the card in 2014 – as this is more than six years before Miss F's complaint. But we will look at the limit increases.

I can see that up until the last increase in August 2016, Miss F managed her Aqua account well. There were no signs of difficulty – there weren't any late or missed payments; nor were there any over limit situations. She didn't withdraw cash on the card. And Aqua couldn't see there were any payday loans, or other debts. I agree that Miss F did borrow up to her limits – but not beyond them. So, all looked OK. And I can't say that Aqua were wrong to offer the increases then. And – as Aqua have said, Miss F could've said she didn't want to borrow more money but didn't.

Things changed in 2016 though. I can see there two over limit fees (in April and May 2016) – but Miss F was still paying to Aqua on time. But – Aqua could then also have seen she had other debts mounting up – these were £3780 in March 2016 and increased to over £13000 by May 2016. There were 13 payday loans, of which three had been taken out in the last three months. By then, it looked like Miss F was in difficulty and so – at that time, Aqua should've asked more questions of Miss F's circumstances - before offering the increase in limit to £4700.

So – my decision is that Aqua shouldn't have increased Miss F's limit to £4700 in August 2016.

Putting things right

My decision is that Aqua shouldn't have increased Miss F's limit to £4700 in August 2016, and so they should refund interest and any fees charged from that time to the date of when the account was repaid. This should be on any borrowing over £3700, as I decided that the increases up to £3700 were OK. And – because Miss F has repaid the debt and had therefore paid the interest and charges, they should pay interest of 8% per annum simple on those amounts from the time they were paid (November 2016) to the date of the refunds following this decision.

My final decision

I uphold this complaint. NewDay Ltd trading as Aqua (Aqua) must:

- Refund to Miss F all interest and charges on borrowing over £3700 from August 2016 to November 2016, when the account was repaid.
- Pay 8% per annum simple interest on the amounts refunded from November 2016 (when they were paid by Miss F) to the date of the refunds following this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 30 August 2021.

Martin Lord
Ombudsman