

The complaint

Mr S complains that NewDay Ltd made several increases to his credit limit on his Aqua credit card without following the rules of responsible lending. This led to him suffering financial hardship.

What happened

Mr S opened an Aqua credit card account with NewDay in February 2019. It was opened with a credit limit of £900. NewDay increased this credit limit three times within the first year, to £1500, £3500 and finally to £5000 in February 2020.

In October 2020 Mr S complained to NewDay that it had been irresponsible in increasing the credit limit too often and by too much. This had resulted in him struggling to make the minimum payments required causing financial and emotional hardship.

In its final response letter, NewDay didn't uphold his complaint. It said it had regularly reviewed his account along with how he was managing his other credit commitments. And that each time it had offered a credit increase it had evaluated both its records, and records held by credit reference agencies to ensure it felt the increase was manageable. And Mr S had been given the opportunity to refuse the increases if he hadn't wanted them.

Mr S didn't agree so complained to our service. Having looked at all the evidence our investigator didn't think that NewDay had treated him unfairly in increasing his credit limit. He thought the increases provided by NewDay were not irresponsible and were made after making reasonable creditworthiness assessments. He also thought it was unlikely that NewDay would have known or suspected that Mr S may be in financial difficulties, as it was satisfied he was managing his account well, making every payment required and not exceeding his credit limit.

Mr S didn't accept the investigator's view, so the matter has been passed to me for a 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.

In coming to my decision I have taken into account the regulatory rules and good industry practice at the time the credit increases were offered, and what I can see NewDay has done in this case and whether this was fair in Mr S's circumstances.

I agree with the investigator's view in that I do not consider the credit increases provided were irresponsible. I think they were offered with sufficient consideration of their affordability, in accordance with the rules and good practice, and that NewDay had no reason to know or suspect Mr S was suffering financial hardship.

The rules concerning lender's obligations when it comes to providing credit are set out in the FCA Consumer Credit Sourcebook rules (CONC). It follows these general principles:

A lender must carry out proportionate checks to determine whether credit (and significant increases to credit limits) was, as far as the lender could tell, affordable and sustainable and would not adversely affect the customer. A proportionate check will depend on many things, such as what a lender knows about the customer, size of credit, term for repayment, and their lending history. The detail sought while considering a rise would be expected to be more in-depth the more significant the increase is.

NewDay have shared their internal process and what they bear in mind when considering increasing credit limits. Having examined these, I think they comply with the FCA rules (CONC 5.2A) which says the business must consider how the increase may adversely impact the customer's financial situation. It should do this, as I can see NewDay did, by taking into account things like:

- the information it already has about the customer at the time of the increase.
- the lending history of the customer and how they have previously managed their account.
- information obtained from a credit reference agency

In Mr S's case, NewDay has also shown how, when considering offering the credit increases, this process was applied to ensure affordability.

I can see NewDay has not only looked at how Mr S managed his credit account (he had not missed a payment and regularly made more than the minimum payment), but has taken into account information shown on his credit file, his regular income, that he had no outstanding court judgments or debt defaults, and his level of borrowing across other lenders. I think these checks were reasonable in the circumstances.

I need to consider whether NewDay either knew or suspected that Mr S may be suffering financial hardship. Only making the minimum payments on a credit card account can be an indication of this, however Mr S didn't always follow this pattern - as I've said above, he made payments which were considerably more than the minimum required on several occasions. And the balance on the account never exceeded, and regularly went significantly below, the credit limit.

All this information satisfies me that NewDay could not reasonably be expected to have known or suspected he was in financial hardship until he mentions it in his complaint in October 2020.

When it comes to communicating with a customer regarding credit increases, the UK Cards Association best practice gives the following guidance:

- the card issuer should give 30 days' notice of the increase.
- it should offer the customer the option to reject the increase in writing, online or by telephone.

Having looked at the customer contact notes I can see NewDay wrote to Mr S on each occasion it offered the credit limit increases and told him he could reject them if he wished.

Mr S has told us that he is suffering financial hardship at this time, and I can understand the stress that this must cause him. I would urge him to speak to NewDay if he feels he is

unable to manage the debt, or to get advice from www.moneyhelper.org.uk who can provide impartial debt advice.

That said, when looking at the process that NewDay followed when raising his credit limits, its considerations, and how it applied these to Mr S's circumstances at that time, I cannot conclude NewDay acted irresponsibly.

My final decision

As a result of all of the above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 October 2021.

Chris Riggs
Ombudsman