

The complaint

Mrs S complains about NewDay Ltd trading as Aqua's ("Aqua") decision to increase her credit limit.

What happened

Mrs S was accepted for a credit card by Aqua in June 2019 and given an initial credit limit of £450. Mrs S says she used this account for gambling and, despite being close to her limit, Aqua increased her credit limit to £1,200 in September. Mrs S says, between this period, she had increased her borrowing with other lenders and had defaulted on another account. So, Mrs S complained to Aqua as she felt they didn't carry out sufficient checks before increasing her credit limit.

Aqua responded and explained the checks they carried out when Mrs S first applied for the credit card. They explained Mrs S met their acceptance criteria so an account was opened with a credit limit of £450. Aqua said they then reviewed Mrs S's account in September as she became eligible for a credit limit increase and wrote to her offering her an opportunity to opt out. Aqua said Mrs S didn't contact them to opt out so the increase took effect.

Aqua said they had no way of knowing Mrs S had a gambling problem at the time she applied for the credit card. But, having reviewed her transactions she made prior to the credit limit increase and after, they didn't feel it was appropriate to have increased her credit limit. So, Aqua upheld Mrs S's complaint and refunded a proportionate amount of interest until May 2020 together with a £12 over limit fee and £108 in cash advance fees. Aqua said they didn't feel it was appropriate to lower the credit limit to £450 in light of what Mrs S had told them about her personal circumstances. So, they explained they had closed Mrs S's account for further purchases. Aqua also explained they have a duty to report accurate information to Credit Reference Agencies ("CRAs") so if Mrs S wanted to set up a reduced payment arrangement, they would need to report this to the CRAs.

Our investigator looked into things for Mrs S. He thought Aqua should refund interest and charges on any balances over the initial limit of £450 instead of it being up until May 2020. Mrs S agreed but Aqua disagreed so the matter has come 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.

Having done so, I've decided to uphold the complaint. And, I think the investigator's recommendation here is a fair way to resolve matters.

Firstly, I've looked at the service given to Mrs S. The key facts about the complaint aren't in dispute. Aqua have admitted they got things wrong when they increased Mrs S's credit limit to £1,200. The only issue I have to decide is whether the steps they've taken to put things right are fair and reasonable.

I think it's right that Aqua should put things right for Mrs S as she was provided with, and using, a credit limit which shouldn't have been in place. Aqua have provided a calculation which shows they have refunded the proportion of interest charged on balances over £450 between October 2019 and April 2020 – and this is the sum of £159.39. Mrs S's May 2020 statement shows the actual interest refund given to her is greater than this. Aqua say this is because it also factors in the interest applied in May 2020. Looking at the figures, I think Aqua's explanation is correct and the refund has taken into account the interest charged in May 2020. Aqua say they aren't prepared to refund any interest and charges beyond May 2020 as this is when they issued their final response to Mrs S's complaint and she then had an opportunity to bring her balance down to £450.

I've looked at the statements from June 2020 to November 2020, and I've set out what they show in the table below:

Month	Balance	Interest
June 2020	£641.83	£16.12
July 2020	£583.46	£15.70
August 2020	£567.38	£15.67
September 2020	£550.32	£14.21
October 2020	£498.67	£13.22
November 2020	£484.51	£12.77

Mrs S does bring her balance below £450 in December 2020. But, through the period shown in the table, Mrs S's account balance is still above £450 and her account is accruing interest on the full balance. The statements for this period show the account is closed and no further purchases are made by Mrs S. And, Mrs S only makes the contractual minimum payment for most of these six months. So, it's reasonable to conclude that it was going to take Mrs S a while to bring the balance down to £450 even though she wasn't making any further purchases. Given that Aqua accept the credit limit shouldn't have been increased beyond £450, I don't think they have done enough to put things right and to return Mrs S to the position she would've been in had they not increased the limit.

Aqua have taken the correct approach in refunding the over limit fee and the cash advance fees. But, while I think they have taken the correct approach to the interest refund, I don't think they've applied it to the full period they should have. Mrs S shouldn't have found herself in a position where her credit limit went beyond £450, yet this continued up until November 2020. So, I think it's reasonable for Aqua to refund all interest and charges for balances above the initial limit of £450.

I note Aqua say Mrs S has had the benefit of the funds on the account and therefore interest charged on any proportion of the balance in excess of £450 is valid. I'm satisfied Mrs S has had the benefit of the money above the £450 limit and it's fair that she should pay the principal amount back. But, this limit shouldn't have been increased – and Aqua accept that. So, it's not fair for Aqua to benefit from any interest and charges over any period where the balance exceeded £450.

Putting things right

Aqua have accepted they got things wrong when they increased Mrs S's credit limit above the initial limit of £450. They have already refunded interest and charges from October 2019

to May 2020. So, they should refund all interest, fees, and charges accrued or incurred on the account relating to any balance above £450 from June 2020 onwards. This would put Mrs S back in the position she would have been in were it not for the credit limit increase.

Any refund should be deducted from the amount Mrs S owes and if this results in the account having a credit balance in Mrs S's favour, Aqua must pay this amount to Mrs S together with 8% simple interest, calculated from the dates of any overpayments to the date that the payment is made to Mrs S. If the balance has already been cleared then Aqua should pay the refund to Mrs S together with 8% simple interest, calculated from the dates of any overpayments to the date that the payment is made to Mrs S.

If there is such a refund, then Aqua should provide Mrs S with a certificate showing any taxation deducted

Aqua must also remove all adverse reporting relating to this account from Mrs S's credit file from September 2019 onwards.

My final decision

My final decision is that I uphold the complaint. NewDay Ltd trading as Aqua must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 20 October 2021.

Paviter Dhaddy
Ombudsman