

## **The complaint**

Mr P complains that NewDay Ltd trading as Aquacard was irresponsible in its lending to him.

## **What happened**

Mr P applied for a credit card with NewDay in February 2020. This application was approved for a card with a credit limit of £1,200. In July 2020, his credit limit was increased by £1,000 to £2,200. A further credit limit increase of £1,000 was applied in November 2020 bringing Mr P's credit limit to £3,200. Mr P says that adequate checks weren't carried out before the credit limit increases were applied and noted he was in a debt management plan at the time. He says he made his minimum payments, but the interest charged meant he couldn't reduce the debt and he was struggling to meet all of his regular repayments. He says the situation had a negative impact on his mental health as he was constantly anxious about money and whether he would have enough to make his payments. He raised a complaint about irresponsible lending with NewDay in March 2021.

NewDay issued a final response letter dated 1 April 2021. It said it considered the information provided through the application process and data from credit reference agencies. It said based on the information received, Mr P met its lending criteria and so the card with an initial limit of £1,200 was provided. It said it regularly reviewed the credit limits it provided and that based on this it offered two credit limit increases to Mr P which he had the option to opt out of. It said that before the limit increases were offered adequate checks were undertaken and that Mr P proactively accepted the increased limits.

Mr P didn't agree with NewDay's response and referred his complaint to this service.

Our investigator didn't uphold this complaint. He thought the checks carried out before the credit card was provided with the £1,200 were proportionate and didn't think these checks raised concerns that meant the credit card shouldn't have been provided. He said that NewDay relied on information provided in Mr P's application when considering the limit increases as well as how Mr P had been managing his account. He noted that Mr P had been paying more than the minimum amount in the months leading up to the credit limit increases and wasn't utilising a significant portion of the limit in place at that time. He said the credit checks didn't raise any concerns and thought Mr P only started to use a significant amount of the available limit after December 2020 which was after the increases had been applied.

Mr P didn't agree with our investigator's view. He said he didn't dispute the initial credit limit but the subsequent credit limit increases. He said that the limit was increased twice within nine months, each time adding a further £1,000 of lending, while he had a poor credit score. He didn't think adequate checks were carried out before the increases were applied.

## **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.

Mr P applied for a credit card with NewDay in February 2020. He has explained that he applied for the card in order to improve his credit score as he had experienced issues in the past and was in a debt management plan. Mr P's complaint was less about the initial provision of the card and more about the subsequent credit limit increases. However, I have considered this complaint from the point of the provision of the initial card and credit limit to the most recent increase.

Before providing any lending to Mr P we would expect proportionate checks to be carried out to ensure the lending was sustainably affordable. In this case, before the card was provided affordability and credit worthiness checks were carried out. I have looked at the information gathered, and I think these checks were reasonable at that time. I can see that the information showed Mr P had some historic defaults but that none of his accounts were in arrears at that time and there was no other evidence to suggest that the lending shouldn't be provided. The initial credit limit applied to Mr P's card was £1,200 and based on what I have seen I do not find I can say this was unreasonable.

In July 2020, Mr P was offered a credit limit increase of £1,000. Given this was only a few months after the initial card was provided, I think it reasonable that the affordability data provided at application was still considered relevant. Further credit information was gathered and having looked at this I do not think this would have raised concerns. By this time Mr P had been using the card for a few months and I can see that he was making his monthly payments. He hadn't utilised the full credit limit although his use was increasing, and he had a balance of around £875 in July 2020. Based on the information available on Mr P's account at that time I do not think this raised concerns that he was in financial difficulty and I do not find I have enough to say that the offer to increase his limit was unreasonable at this time. I understand Mr P accepted the limit increase.

Mr P's credit limit was then increased a second time by a further £1,000. By this time the limit was over two and a half times the amount of the initial limit provided around nine months previously. Given the size and timing of the increase I have carefully considered whether the checks carried out before this increase was offered were proportionate and whether further checks, if needed, would have suggested the lending wasn't sustainably affordable.

I have looked at how Mr P was managing his account before this limit increase and I do not find that this raised any concerns. Mr P was making monthly repayments towards his account which were more than the minimum amount and was operating well within the credit limit (although his outstanding balance was increasing). Given this I do not think his account management or other information gathered at this time raised concerns about his financial situation.

Following the November 2020 increase, Mr P did increase his spending on the card and I think had further increases been offered these would have raised concerns about whether they would have been sustainably affordable. However, in this case, I do not find that I have enough to say that the initial credit limit and the two subsequent limit increases shouldn't have been offered. Because of this I do not uphold this complaint.

### **My final decision**

My final decision is that I do not uphold this complaint against NewDay Ltd trading as Aquacard.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 22 October 2021.

Jane Archer  
**Ombudsman**