

The complaint

Ms M complains that NewDay Ltd trading as Aqua irresponsibly increased the credit limit on her credit card account which was unaffordable.

What happened

Ms M says she has no issue with Aqua's decision to allow her to open a credit card account in 2016 with a credit limit of £250. But she says some months later her credit limit was increased to over £1,000 which was unaffordable and the decision irresponsible. Ms M says it would have been obvious she was in financial difficulties at the time and would like Aqua to remove adverse information from her credit file and close the account. She says she had health problems at the time.

Aqua says Ms M applied for the account in March 2016 and declared an income of £18,000 a year. It says it checked her credit file and calculated her debt at £2,700 and noted she had no arrears on other accounts. It also says it had been some years before the application that adverse information appeared on her credit file and gave Ms M a credit limit of £250. Aqua says it increased that limit in July 2016 to £1,160 and Ms M managed her account appropriately but did make a late payment. It says Ms M told it in November 2016 that she had lost her job and it sent her an income/expenditure form to try and help her, but it wasn't returned, and no contact was made. A default was registered in 2017.

Ms M brought her complaint to us and our investigator upheld the complaint. The investigator thought the initial lending was affordable, but the increase wasn't and that Aqua should have considered it in more detail. The investigator thought the increase was significant and Aqua ought to have considered that there were late payments and over limit charges before that increase. The investigator recommended the interest and charges be refunded and adverse information removed from Ms M's credit file.

Ms M accepts that view but Aqua doesn't. It says Ms M made more than the required payments before the increase and although was late on one occasion, paid more than the required amount within days.

My provisional decision

I issued a provisional decision on this complaint and said that I came to the provisional view that I don't uphold this complaint.

I explained that lenders and credit providers should carry out reasonable and proportionate checks on any credit or lending applications. Those checks will of course vary depending on the type and amount of lending. And I wouldn't have expected Aqua's checks to have been as detailed here compared to for example a mortgage or loan application, as this was a credit facility.

I looked at Aqua's records and could see Ms M told it she was in employment with an income of £18,000 a year and that it calculated her debt at about £2,700. I could also see Aqua did carry out checks on Ms M's credit file and that there wasn't any recent adverse

information contained on it. So, I was satisfied Aqua did carry out reasonable and proportionate checks on Ms M's application and that on the face of it the lending was affordable and so not irresponsible. I was satisfied that Aqua approved what I thought was a modest credit limit of £250.

I looked carefully at the account statements from the account being opened to the credit limit increase. I was satisfied that overall the account was reasonably well managed. I saw that in April 2016 Ms M spent just under £50 and made a payment of just over £200 the following month which covered her spending in May 2016. I didn't think Ms M used the full balance every month and although there were two late payments – they were both made shortly after the due date. And there were payments significantly more than the required payments. I accepted Ms M's account management wasn't perfect, but I didn't think Aqua acted irresponsibly by approving the credit limit increase and was reasonably entitled to consider the information it considered from the account opening in addition to the account management.

I was satisfied that Aqua approved what I thought was still a relatively modest credit limit of just over a £1,000 which I thought was affordable in the circumstances.

I appreciated that after the credit limit increase Ms M used the full balance available to her and shortly afterwards didn't make required payments. I thought it likely on balance that Ms M lost her job which she told Aqua about in November 2016 and that it likely that she may have had spending problems which Aqua was unaware of and couldn't have been aware of unless Ms M told it about it.

I looked at Ms M's bank account statements and could see there were significant amounts of payments to gambling companies during 2016 to 2017. I appreciated it's up to Ms M to decide what she spends her money on but thought it likely on balance that her financial position may have been affected by that spending. I said Ms M could provide her views on that point before my final decision and if it was that spending that caused the financial difficulties.

Overall my provisional view was that Aqua did carry out reasonable and proportionate checks on Ms M's application and the later decision to increase the credit limit. I said I had not seen any evidence of financial hardship at the time of the lending decision and having looked at Ms M's credit file, thought the financial difficulties came sometime after those decisions in early 2016 were made. I made clear that I thought the credit limits offered by Aqua were modest and on the face of it affordable.

Aqua says it doesn't wish to make any further representations.

Ms M doesn't accept my provisional view and says it doesn't matter if she was able to make the payments as that doesn't mean the lending was affordable.

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 have come to the same decision that I reached in my provisional decision and for the same reasons.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 13 October 2021.

David Singh
Ombudsman