

## **The complaint**

Mr G complained that NewDay Ltd (trading as Aqua) acted irresponsibly when they increased his credit card limit with them on multiple occasions. He said that it should've been clear he was in a poor cycle of debt.

## **What happened**

Mr G applied to Aqua for a credit card on 8 April 2016. Aqua assessed his application against their lending criteria and agreed to provide a credit card account with an initial limit of £900.

Aqua wrote to Mr G on 10 August 2016. They said they'd looked at how he managed his credit card and believed that a new limit of £2,100 was suitable for him. They told Mr G that the new limit would be made available no later than 40 days from the date of their letter. They provided options to accept the new limit sooner or tell them if he didn't want the limit increasing. The new limit was applied on 15 August 2016.

Aqua wrote to Mr G again on 20 January 2017. Again, they said they'd looked at how he managed his credit card and believed that a new limit of £2,700 was now suitable for him. They told Mr G that the new limit would be made available no later than 40 days from the date of their letter. They provided options to accept the new limit sooner or tell them if he didn't want the limit increasing. The new limit was applied on 27 January 2017.

Mr G stopped making payments to his Aqua credit card account in August 2017. Due to the length of time Mr G's account was then in arrears, Aqua sold his account to a debt collection company on 30 November 2017.

On 15 March 2021, Mr G complained to Aqua. He said that the credit card account they'd provided caused him financial difficulty. He said that Aqua shouldn't have increased his limit when they did. He believed he'd shown poor use of credit with multiple payday loan markers and catalogue debts on his credit file. He wanted Aqua to refund the interest and charges plus statutory interest. He also wanted them to remove any adverse information from his credit file.

Aqua responded to Mr G's complaint on 14 April 2021. They explained how they'd assessed his application and the subsequent limit increases. Aqua didn't agree they'd acted irresponsibly.

Mr G didn't agree with Aqua's findings. So, he referred his complaint to this service. One of our investigators looked into Mr G's complaint. She believed that Aqua's original decision to lend was fair. But agreed that Aqua had acted irresponsibly when increasing Mr G's limit twice. She said that Mr G had outstanding payday loans which should've prompted them to complete further checks and tests. She thought Aqua should refund all interest and charges resulting from the limit increases and write off any balance owed above the original limit. She also thought that if the refunds resulted in a credit balance, Aqua should pay 8% simple interest on that amount.

Aqua didn't agree with our investigator's findings. They said that the other debts on Mr G's credit file were not shown as payday loans. They said that the credit reference information didn't report anything negative about Mr G's history. So, they asked that Mr G's complaint be referred to an ombudsman for a final decision.

I reached a different outcome to that of our investigator. Because of that, I issued a provisional decision on 30 September 2021 – giving both Mrs G and Aqua the opportunity to respond to my findings below, before I reached a final decision.

In my provisional decision, I said:

Mr G hasn't complained about Aqua's original decision to give him a credit card account. So, for the purpose of this complaint, I haven't looked at the original credit assessment. My focus has been on Aqua's decisions to increase Mr G's credit limit.

Before increasing Mr G's credit limit, Aqua needed to complete an assessment of Mr G's credit worthiness. The guidelines for this are set out in CONC 5.2A of the Financial Conduct Authority's (FCA) Handbook. In particular, they needed to consider information they already had about Mr G. Also, his ability to make repayments and any information available from the credit reference agencies. They should've also considered either:

- the customer's income and financial commitments,
- how they've handled their finances in the past or
- use internal credit scoring techniques.

The guidelines also say that there are circumstances when a limit increase shouldn't be offered. These include:

- evidence of arrears,
- excesses of the credit limit,
- involvement of a debt advice agency,
- refusal of an increase by the customer and
- where the customer is at risk of financial difficulties.

Aqua have provided full details and explanations of the credit assessments they completed. These assessments include information they already held and also obtained from credit reference agencies. In particular, Mr G's credit and payment history. They used affordability and indebtedness information provided by credit bureaus to assist with their assessment. I understand these models consider existing financial commitments and outstanding debts. I'm also aware that they are widely used across the industry as recognised models to assess indebtedness and affordability to meet the requirements set out in CONC.

I've looked at the information provided by Aqua. Mr G's original application shows his income and existing borrowings. The credit bureau information provided to Aqua doesn't evidence any defaults or similar adverse information reported between April 2016 and January 2017, when the second limit increase was made. Late payments of up to 1 month were reported in May, August and October 2016 although these appear to have been addressed by Mr G. Two payday loans were opened in October 2016 but there was no other evidence of such loans or any subsequent late payments or defaults. The information also suggests that Mr G substantially reduced his borrowings in November 2016.

Mr G incurred one late payment fee from Aqua in July 2016. Aqua's file notes show that Mr G had contacted them as he'd forgotten to make a payment. He made the payment and set up a direct debit to ensure this didn't happen again. Before and after that, there was no suggestion that Mr G had any financial difficulties. Mr G continued to make minimum payments when they were due until August 2017.

Mr G told this service that his debts were as a result of a gambling issue he was experiencing. I'm sorry to hear that Mr G had problems of this nature. I appreciate

that this would've been very difficult for him. But I can't see that Aqua were made aware of this at any time. Having reviewed Mr G's credit card statements, I also haven't seen anything that would suggest this to Aqua. So, I don't believe that Aqua would've been reasonably aware of Mr G's problems here.

Mr G told this service that he was regularly taking on multiple payday loans which are shown on his credit report. I asked Mr G to provide this service with a copy of his credit report. I've reviewed its content and see that Mr G had a history of multiple credit facilities. I've considered those debts reported before Aqua's original agreement and limit increases. The credit report shows that all of these were managed without difficulty. The first adverse entry (a late payment) is reported in January 2017. I understand that it normally takes 30-45 days for a credit file entry to be reported, so wouldn't have been reported to Aqua immediately.

So, having reviewed the information provided by Aqua together with Mr G's credit report, I can't reasonably conclude that there was anything adverse reported that would give Aqua cause to complete further checks and tests here. While Mr G had a history of regularly using credit, his credit file suggests that he was managing these without difficulty or cause for concern.

When Aqua offered to increase Mr G's limit, they gave him the opportunity to refuse the increase or request it immediately. Alternatively, they would apply the new limit within 40 days. In both cases, the new limit was applied within no more than seven days of offer. I think it appears that Mr G may have proactively contacted Aqua, each time, to accept the new limit.

I realise that Mr G will be disappointed. But having reviewed all the evidence available, I don't agree with our investigator here. I believe that the checks and tests completed by Aqua, before increasing Mr G's limit, were proportionate based upon the information available to them. I haven't seen anything that may have suggested they should consider further checks. And I've seen no evidence to suggest that Mr G had informed Aqua that he was experiencing financial difficulties prior to the increases.

On balance, I can't reasonably conclude that Aqua did anything wrong or treated Mr G unfairly here. So, I don't propose to ask Aqua to do anything more.

### **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 my provisional decision, I asked both parties to respond with any new information or comments they wanted me to consider.

Aqua responded and confirmed they had nothing further to add.

Mr G confirmed again that at the times Aqua increased his limit, he was using multiple credit facilities over a short space of time. He confirmed he'd taken multiple loans totalling £7,000 within a five-month period although some of these no longer show on his credit file.

Mr G also said that his earnings meant a high proportion of his income was being used to manage the credit he had. He said that he was regularly *"cycling through different lenders and loans"*. He believes that his credit file shows that he was taking multiples loans, some at much higher rates. Mr G has provided specific details of different loans, their terms and their repayments. He has suggested that none of this was considered by Aqua and no reassessment of his monthly income and expenditure was completed.

Aqua previously explained that they are an online lender. As a result, they use automated scoring systems together with information reported by credit reference agencies in order to

assess the appropriateness of the limits they offer. They believe that the assessments they undertook complied with the requirements of CONC 5.2A. I explained those requirements in my provisional decision.

Aqua have demonstrated they considered how Mr G handled his finances previously and used internal scoring techniques. This meets the CONC requirements. I've also seen the data provided to Aqua by the credit reference agencies. It's important to recognise that this information wouldn't necessarily be as detailed as the personal report later obtained by Mr G.

From the information provided to Aqua, I can't see any suggestion that Mr G was experiencing problems, sufficient to prompt further tests and checks. It's also relevant that Mr G didn't volunteer any of this information to Aqua at the time.

I've considered Mr G's response to my provisional decision. While appreciating he'll be disappointed, I've not seen anything that persuades me to change my mind here. Much of what Mr G has provided and explained to this service is information that wouldn't necessarily have been provided to Aqua at the time. So, while I realise that Mr G may disagree, I can't reasonably say that Aqua should've done anything different here.

### **My final decision**

For the reasons set out above, I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 10 November 2021.

Dave Morgan  
**Ombudsman**