

## **The complaint**

Ms S complains that NewDay Ltd trading as Aqua irresponsibly increased the credit limit on her credit card account to unaffordable levels.

## **What happened**

Ms S says Aqua repeatedly increased the credit limit on her credit account to unaffordable levels. She says she was in debt at the time with a poor credit history. Ms S would like the debt written off and all interest and charges refunded. She would also like an apology from Aqua and says her health suffered as a result of what took place.

Aqua says the account was opened in 2014 and it carried out appropriate checks on it. It says Ms S declared an income of £20,000 and checked her unsecured debts which were £1,100. Aqua says Ms S had a mortgage and the last adverse information on her credit file was some three years before the application. It approved a credit limit of £1,200. Aqua says it increased the credit limit in July and December 2015 to £2,800 and carried out appropriate checks but accepts it should not have increased the credit limit again in July 2016. It has refunded interest and charges in respect of that and says the debt owed which has now been sold is just over £2,200.

Ms S brought her complaint to us and our investigator upheld the complaint. The investigator thought Aqua should have considered how Ms S used her account before the credit limit increases and thought they were unaffordable. The investigator thought Ms S had exceeded her credit limit and missed required payments. She recommended Aqua pay £50 compensation and refund interest and charges on all increases over and above the original credit limit of £1,200.

Aqua doesn't accept that view and maintains Ms S account was appropriately managed.

I asked both sides for further information and for Aqua to provide the account statements. Ms S confirmed that her partner paid the mortgage and has provided her bank statements.

## **My provisional decision**

I issued a provisional view on this complaint and said that I thought that Aqua carried out appropriate checks on the application itself and the credit limit increases were appropriately considered as well as being affordable.

I said lenders and credit providers should carry out reasonable and proportionate checks on any lending or credit application. Those checks will of course vary depending on the type and amount of the lending or credit. This was an application for a credit facility rather than for example a mortgage and so I wouldn't have expected Aqua's checks to have been as detailed as for that type of lending.

I looked at Ms S's application and saw that she declared an income of £20,000. I was satisfied that Aqua carried out checks on the application and calculated Ms S's unsecured debt at just over £1,000 and considered that Ms S had a mortgage which would have meant

more detailed checks on her finances had been carried out by that lender. I could also see that Aqua considered Ms S's credit file and could see the last adverse information recorded on it was over three years prior. So, I was satisfied that Aqua carried out reasonable and proportionate checks on Ms S's application and that on the face of it the lending was affordable. I also thought a relatively modest credit limit of £1,200 was approved.

I looked at how Ms S managed her account before the credit limit increases and I was satisfied overall, she managed her account appropriately. I accepted the management wasn't perfect, but I thought overall required payments were made and that the credit limit increases up to July 2016 were affordable. I also looked at Ms S's bank account statements and didn't think there anything to suggest financial difficulties between 2014 and 2016 and that she maintained, on the whole, a positive account balance. So, I was satisfied that Aqua did carry out further reasonable and proportionate checks on Ms S before deciding to increase the credit limits. And that on the face of it the increases were affordable. I could see that Ms S was able to use her account for foreign travel at that time and that prior to the July 2016 increase there was nothing to suggest the previous credit limit increases were unaffordable.

There is no question here that Aqua shouldn't have increased the credit limit in July 2016. But I'm satisfied Aqua has refunded interest and charges.

I appreciated that Ms S would like the account balance written off. But I made clear to her that even if I upheld her complaint then I wouldn't have ordered that as I think she has had the benefit of the money. I also made clear to Ms S that I have looked at her credit file and thought overall her financial difficulties took place sometime after she opened her Aqua credit card account and after the credit limit increases in question.

Overall my provisional view was that Aqua carried out reasonable and proportionate checks on Ms S's credit card application and on the two later credit limit increases. I said I thought the limit of £2,800 which was applied in December 2015 was on the face of it affordable and relatively modest in comparison with Ms S's debt and income at that time. I also made clear that I appreciated the investigator's view that she thought Ms S was also responsible for a mortgage which Ms S has now confirmed was actually paid by her partner.

Nether Ms S or Aqua wish to comment on my provisional view.

### **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 reached the same overall view that I reached in my provisional view and for the exact 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 S to accept or reject my decision before 2 December 2021.

David Singh  
**Ombudsman**