

## **The complaint**

Ms M complains that NewDay Ltd trading as Aqua irresponsibly allowed her to open a credit card account and later increased her credit limit. She says the lending was unaffordable.

## **What happened**

Ms M says she opened the Aqua account in May 2016 and at the time was in financial difficulties. She says there was a County Court Judgement (CCJ) recorded against her and she had a number of defaults on her credit file. She also says her mortgage account was in arrears. Ms M says Aqua's lending was irresponsible and unaffordable. She says her credit limit was increased on multiple occasions and would like all interest and charges refunded and the CCJ removed.

Aqua says it carried out appropriate checks on Ms M's application in May 2016 and approved a credit limit of £250. It says Ms M told it she was in employment earning £20,000 a year with access to a further £5,000 a year. Aqua says Ms M did have previous defaults registered on her credit file but the last was some 14 months before this application. It says there wasn't any recent adverse information on Ms M's credit file and her unsecured debt was £1,100 and her mortgage £30,000. It also says it increased Ms M's credit limit in November 2016 to £900 which was the only increase. Aqua says Ms M told it about financial difficulties in September 2017 when she said she had lost her job.

Ms M brought her complaint to us and our investigator upheld the complaint. The investigator thought Ms M's default debt was about £11,000 and her existing debt just over £1,000 which was unaffordable on an income of £20,000 a year. The investigator recommended Aqua refund all interest and charges and remove any adverse information from Ms M's credit file. She also recommended Aqua pay £100 compensation.

Ms M accepts that view but Aqua does not.

## **My provisional decision**

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

I said that lenders and credit providers should carry out reasonable and proportionate checks on any credit or lending application. Those checks will of course vary depending on the type and amount of that lending. I also said that I would not expect Aqua's checks here, as this was a credit facility, to have been as detailed as for example a mortgage application but explained that of course appropriate checks must be carried out.

I looked carefully at Aqua's records and could see that Ms M declared an income of £20,000 a year with additional access to £5,000 a year. I could also see that Aqua did check Ms M's credit file and calculated her non-mortgage debt at £1,100 and her mortgage balance at £30,000. I was satisfied Aqua also took into account Ms M's previous defaults and also considered the time period from the last default. So, I was satisfied that Aqua did carry out checks on Ms M's application and those checks were reasonable and proportionate.

I appreciated what the investigator said about the previous defaults. But I didn't think it clear if Ms M was repaying those balances or had agreed any repayment plans on them. I couldn't see any evidence on Ms M's credit file about any such agreements or that she was repaying those balances. So, whilst I accepted that Ms M may have had defaults that totalled over £10,000, I had not seen any evidence they were being repaid and thought on balance it was unlikely that they were. It follows that I didn't think Aqua made a mistake by not considering those in calculating the affordability of the credit card account. I also thought that Aqua was reasonably entitled to consider that the last default was registered some time before this application. I looked at Ms M's credit file and I couldn't see any reference to any CCJ recorded before May 2016. And I couldn't see that Ms M's mortgage account was in arrears in 2016 but sometime later.

I was satisfied that the decision to approve the account was not irresponsible and that on the face of it was affordable. I also thought Aqua approved a very modest credit limit of £250.

I looked at Ms M's credit card account statements from the account opening until the credit limit increase. I appreciated Ms M says the credit limit was increased on multiple occasions, but I was satisfied there was one increase on 11 November 2016 from £250 to £900. I could see from the account statements before that increase that Ms M managed her account appropriately by making required payments and by keeping to the credit limits. I could also see that she didn't use the full available balance and on occasions repaid the balance in full. So, I didn't think the decision to increase the credit limit was irresponsible or unaffordable and I couldn't see any adverse information on Ms M's credit file at that time that Aqua ought to have considered. I thought the overall credit limit was still relatively modest at £900 compared to Ms M's income and other debt.

I could see from Aqua's customer notes that Ms M told it in September 2017 that she had lost her job. I thought it likely it was the loss of Ms M's job that led to her financial difficulties rather than Aqua's approval of her credit card application.

Overall, I was satisfied that Aqua carried out reasonable and proportionate checks on Ms M's credit card application. I also thought Ms M managed her account appropriately for some time after it was opened which I thought provided further evidence the account was appropriate and affordable at the time. I appreciated Ms M was in financial difficulties that resulted in CCJ's in 2018 but for the reasons I explained I thought they were linked to the loss of job. In any event I didn't think it clear if the CCJ's were linked to the Aqua account.

Ms M has replied to my provisional decision and says she doesn't agree with it. But she hasn't provided any further evidence or comment on the key issues I raised in my provisional view such as information about the CCJ, confirmation if the previous default balances are being paid, the number of credit limit increases and the mortgage arrears date.

### **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 overall view that I reached in my provisional decision and for the same reasons. I confirm I have looked again at this complaint and would have expected Ms M to have provided further evidence or comment on the matters I raised in my provisional decision if she disagreed with what I provisionally decided.

### **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 20 February 2022.

David Singh  
**Ombudsman**