

## **The complaint**

Mr B complains that NewDay Ltd trading as Aqua and Marbles lent irresponsibly when it approved his credit card applications and later increased the credit limit.

## **What happened**

Mr B applied for a Marbles credit card in October 2016. In his application, Mr B said he was employed earning around £23,500 and a tenant. NewDay looked at Mr B's credit file and found a County Court Judgement (CCJ), a default, a settled payment arrangement and a settled debt management plan (DMP).

NewDay approved the application and sent Mr B a credit card with a £300 credit limit.

In February 2018 Mr B applied for an Aqua credit card with NewDay. In this application, Mr B said his income was £54,400. NewDay completed a credit search and found the same adverse credit noted above. NewDay approved the Aqua application with a credit limit of £450.

In August 2018 the Aqua credit limit was increased to £1,350. In January 2019 the Aqua credit limit was increased to £2,100.

Last year, Mr B complained that NewDay had lent irresponsibly when it approved his Marbles and Aqua credit cards and increased the credit limit. NewDay didn't uphold Mr B's complaint.

An investigator at this service upheld Mr B's complaint and said NewDay had lent irresponsibly when it approved the credit limit increases to £1,350 and £2,100 on his Aqua credit card. Aqua didn't accept and asked to appeal so Mr B's complaint has been passed to me to make a decision.

## **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.

Before agreeing to lend, the rules say NewDay had to complete reasonable and proportionate checks to ensure Mr B could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate.

I've considered both credit card applications. I note that NewDay didn't find lots of open unsecured credit in Mr B's name and set reasonably modest credit limits of £300 and £450. Given the amounts involved and information NewDay had available, I'm satisfied it carried out proportionate checks. I haven't found that NewDay lent irresponsibly when it approved Mr B's Marbles and Aqua credit cards.

NewDay increased the credit limit of its Aqua card from £450 to £1,350 - three times the original credit limit. In addition, Mr B had made a substantial level of cash withdrawals in the months before. Whilst the credit card offers a cash advance facility and Mr B was using it in line with the account terms, I think that should've put NewDay on notice further checks should be considered.

Given the level of the increase and way Mr B had used his Aqua card, I think NewDay should've carried out more comprehensive checks before deciding whether to increase his credit limit. An option NewDay could've used is reviewing his existing credit card statements or asking for bank statements. There are other checks NewDay could've carried out.

I've looked at Mr B's credit card statements and can see multiple gambling transactions. Mr B has also sent us bank statements from the period in question. Those show a reasonably high level of gambling as well.

Had NewDay carried out better checks, I think it would've found Mr B wasn't in a position to sustainably maintain payments for an increased credit limit on his Aqua card.

In much the same way, I think NewDay should've done more before increasing Mr B's Aqua credit limit again. The increase from £1,350 to £2,100 was reasonably large. Mr B's Aqua statements show he continued to use his credit card for gambling, as do his bank statements. Again, I think better checks by NewDay would've led it to decline further credit limit increases on the basis Mr B was unlikely to be able to sustainably repay the increased balance. I'm satisfied NewDay lent irresponsibly when it increased Mr B's Aqua credit limit to £2,100.

As NewDay lent irresponsibly, I'm going to tell it to refund all interest and charges applied to balances over £450 on Mr B's Aqua credit card from the date the credit limit increased onwards. In addition, it wouldn't be fair for NewDay to record adverse information about a credit card debt that was lent irresponsibly. So I'm also going to tell it to remove any adverse information recorded about Mr B's Aqua card from August 2018 onwards.

### **My final decision**

My decision is that I uphold this complaint and direct NewDay Ltd trading as Aqua to settle as follows:

- Refund all interest, fees and charges applied to balances over £450 on Mr B's Aqua credit card the date of the credit limit increase onwards
- If a balance remains once the above refund has been made, NewDay should work with Mr B to agree an affordable repayment plan
- Balances over £450 on Mr B's Aqua credit card should be administered at 0% until repaid

- NewDay should amend Mr B's credit file to remove all adverse information recorded in relation to Mr B's Aqua credit card from the date of the first credit limit increase onwards

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 May 2022.

Marco Manente  
**Ombudsman**