

## **The complaint**

Miss P complains that NewDay Ltd ("NewDay"), trading as Aqua, irresponsibly granted her credit that she couldn't afford to repay.

## **What happened**

NewDay approved a credit card application for Miss P in November 2019. They initially provided a credit limit of £450 but in March 2020 they increased the credit limit to £1,200.

Miss P says they were wrong to provide credit as it wasn't affordable for her.

NewDay disagree. They say that when they approved the credit card application they reviewed Miss P's credit file and found she had no arrears and no County Court judgements. They said there was only £3,000 of unsecured debt and they didn't see any signs of financial difficulty. And when NewDay increased the credit limit in March 2020 they said their risk and affordability data showed Miss P had only been over-limit once and had been making more than the minimum payments towards her balance. They thought the information suggested the lending was affordable for Miss P.

Our investigator thought that NewDay shouldn't have provided the limit increase in March 2020 and suggested NewDay should take some action to remedy the situation. But as NewDay disagreed the complaint has been referred to me, an ombudsman, for a final 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

### ***Account opening.***

I think NewDay completed proportionate checks before approving the credit card. They reviewed Miss P's credit file and gathered some information from her about her income and circumstances. That information suggested Miss P could afford the limited credit they were offering. There was a default on the credit file, but it was historic and had a low balance, so I don't think that should have raised concerns. Miss P's performance on accounts with other creditors was good and she'd told NewDay she was living with her parents, so her living expenses would have been more limited than most.

### ***March 2020 limit increase.***

NewDay more than doubled the credit limit in March 2020 only four months after Miss P had opened the account. They say they checked the account performance and Miss P's credit

file, and I think those checks were proportionate but I don't think the checks demonstrated the increased limit was affordable for Miss P.

I think Miss P's account history was showing signs that she was having some financial difficulty. She'd been at, or beyond, her credit limit for the last three months and the account had only been open for four months. I think that showed a level of reliance on the card which should have made NewDay aware that it was unlikely she would manage a higher limit in a sustainable way. I don't think NewDay needed to gather any further information. I think the information it had was enough to suggest the increased credit limit was unaffordable.

### **Putting things right**

As I don't think NewDay should have increased Miss P's credit limit beyond £450, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Miss P has had the benefit of all the money she spent on the account so I think she should pay this back. Therefore, NewDay should:

- Rework the account removing all interest, fees, charges, and insurances (which have not already been refunded) that have been applied to balances above £450.
- If the rework results in a credit balance, this should be refunded to Miss P along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information recorded after the March 2020 limit increase regarding this account from Miss P's credit file.
- Or, if after the rework the outstanding balance still exceeds £450, NewDay should arrange an affordable repayment plan with Miss P for the remaining amount. Once Miss P has cleared the outstanding balance, any adverse information recorded after the March 2020 increase in relation to the account should be removed from her credit file.

\*If HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Miss P a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

### **My final decision**

I uphold this complaint and direct NewDay Ltd to put things right in the manner set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 12 September 2022.

Phillip McMahon  
**Ombudsman**