

## **The complaint**

Mr S complains that NewDay Ltd trading as Aqua was irresponsible in its lending to him.

## **What happened**

Mr S took out an Aqua credit card in November 2018. It initially had a credit limit of £1,200. Mr S thinks the initial limit was fair but then the credit limit was increased at a time when he was vulnerable and struggling with his bills. He raised a complaint but didn't hear back and was offered a further credit limit increase. He thinks the credit limit increases were irresponsible and have resulted in him being in a worse financial position.

NewDay says that before it provided Mr S with the Aqua credit card it asked about his income and carried out a credit check. It says Mr S declared an annual income of £25,000 and his credit check didn't raise any concerns. Therefore, Mr S was provided with an Aqua credit card with £1,200 credit limit. It says it regularly reviews its customer's accounts and in September 2019 Mr S was offered a limit increase to £1,700. Mr S then requested a limit increase in January 2021 to £2,200 and a further increase was offered and accepted in April 2021 bringing Mr S' credit limit to £3,700. It says that before the limit increases were given it carried out reasonable checks and Mr S met its lending criteria.

Our investigator upheld this complaint. She didn't think that the credit limit increases provided from September 2019 were affordable. She said that the affordability data provided by NewDay in September 2019 showed he was struggling to manage his money.

NewDay didn't agree with our investigator's view. It said that it carried out reasonable and proportionate checks before increasing Mr S' credit limit. It said that Mr S made overpayments on many occasions and that when he exceeded his credit limit this was due to him not making allowances for the monthly interest charges. It said in January and April 2021, Mr S said he was struggling to make payments, but the issues weren't due to its lending decisions and instead due to a delay in Mr S' wages and the effect of the pandemic.

## *My provisional conclusions*

I issued a provisional decision on this complaint. I agreed with our investigator's outcome but provided further details for my reasons. I concluded in summary:

- The checks undertaken before the credit card was provided were proportionate and based on these I didn't find that NewDay acted irresponsibly by providing Mr S with a credit limit of £1,200.
- Mr S' credit limit was increased to £1,700 in September 2019. The data showed that Mr S spent up to his initial limit in the first month and had a balance over the credit limit for the following six months. The balance was reduced below the limit for the two months prior to the increase but was still at around 95% usage.
- NewDay said that between November 2018 and September 2019 Mr S only missed one payment, that he made overpayments and he exceeded his credit limit because

he wasn't leaving enough available credit to cover his interest charges. It said the external data at the time showed Mr S didn't have any payday loans or payment arrangements or evidence of financial difficulties. I noted the comments but as Mr S' account had been over its credit limit for six of the nine months I thought this should have raised concerns. Mr S was making payments, but these weren't making significant inroads into his outstanding balance which had approached the credit limit in the first month. Between November 2018 and September 2019, Mr S' total outstanding balances had increased from £91,345 to around £95,500. I thought this should have raised concerns that Mr S' debts were increasing and that he was reliant on the credit card borrowing. This was further supported by his actions to increase his spending to over the new limit in the month the increase was applied. I thought the information available to NewDay before the limit increase in September 2019 showed that providing further credit to Mr S at that time wasn't responsible.

- As I didn't think the credit limit increase in September 2019 should have taken place, I didn't think that any further increases should have happened unless there was clear evidence of a significant improvement in Mr S' financial circumstances. I didn't think the information gathered showed that Mr S' financial circumstances had improved so I didn't think that the subsequent credit limit increases should have happened.

I upheld this complaint as I didn't think that the credit limit increases should have been applied to Mr S' credit card.

I didn't receive any new information in response to my provisional 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.

As I didn't receive any new information in response to my provisional decision, my conclusions haven't changed. While I do not think it unreasonable that the initial credit card was provided with a credit limit of £1,200, I do not think it was responsible, based on the information available at the time, to have increased Mr S' credit limit. Therefore, I uphold this complaint.

### **Putting things right**

NewDay Ltd trading as Aqua should:

- Rework Mr S' credit card account so that from September 2019 onwards interest is only charged on amounts up to the £1,200 credit limit. To the extent any charges were applied these should be refunded from September 2019. Any refund should be applied to reduce Mr S' outstanding balance. In the event the refund results in an overpayment, Mr S should be paid 8% simple interest on this amount for the period of the overpayment.
- Remove any adverse information recorded about this credit card account from September 2019 from Mr S' credit file.

\*HM Revenue & Customs may require the business to take off tax from this interest. If it does, NewDay must give the Mr S a certificate showing how much tax it's taken off if he asks for one.

**My final decision**

My final decision is that I uphold this complaint. NewDay Ltd trading as Aqua should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 June 2022.

Jane Archer  
**Ombudsman**