

The complaint

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

What happened

Mr O says that adequate checks weren't carried out before he was provided with an Amazon credit card by NewDay. He says at the time he had several other cards.

NewDay says that Mr O raised a complaint about irresponsible lending on his Amazon Mastercard account in September 2020. When investigating it found he also had an Aqua Mastercard and so it investigated both lending decisions. It issued a final response upholding Mr O's complaint in regard to the credit limit increase on his Aqua credit card and the provision of the Amazon card. It didn't accept that it was wrong to provide the Aqua card with the initial £450 limit in November 2016.

Our investigator upheld this complaint. He thought that the information available to NewDay raised concerns about Mr O's financial circumstances and noted that Mr O was in a Trust Deed. He thought all interest and charges on the Aqua card should be refunded.

NewDay didn't agree with our investigator's view. It said it lent to Mr O based on the information it received in November 2016 and this showed no evidence of any public records. It said that while in a Trust Deed Mr O shouldn't have been making applications for credit without the authority of the trustee. It didn't accept that it had lent irresponsibly.

My provisional conclusions

I issued a provisional decision on this complaint. My conclusions were in summary:

- NewDay upheld Mr O's complaint in relation to the provision of the Amazon credit card and offered a refund that was in line with our usual recommendations. However no mention was made about Mr O's credit file and I thought it reasonable that any adverse information applied to Mr O's credit file in regard to his Amazon credit card should be removed.
- Before the Aqua card was provided, NewDay carried out a credit check as well as gathering information through its application process. At the time of the application Mr O declared an annual income of £23,000. Mr O had unsecured debt of £1,100 and his credit check showed no arrears or public records. It was then established that at the time of the application Mr O was subject to a Trust Deed. Had NewDay been aware of this I would have expected it to have had an impact on its lending decision. However, as there was nothing recorded in the public records I accepted that NewDay wasn't aware of the Trust Deed at the time of the Aqua credit card application.
- The credit check results showed no arrears or recent defaults on Mr O's accounts. But he had five historic defaults recorded with a total value of £2,700. Mr O's credit report also recorded £740 outstanding on payday loans (active or defaulted). So,

while I accepted having no arrears was a positive sign, given the amounts still outstanding on payday loans and defaulted accounts I thought it would have been reasonable to have carried out further checks to ensure the lending was affordable for Mr O.

- Mr O's bank statements leading up to his application supported the income Mr O declared. The statements showed that in the months leading up to the provision of the Aqua credit card, Mr O was spending as much as he was earning and there were two occasions of unarranged overdraft charges being applied. He was also making frequent payments to a payday loan provider throughout the three months which suggested he was potentially reliant on this type of borrowing (which is intended for short term use) and as such was struggling to manage his finances.
- On balance, I didn't think that NewDay should have considered it responsible to provide Mr O with an Aqua credit card in November 2016.

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 set out in my provisional decision, NewDay has already made an offer in regard to the credit limit increase on Mr O's Aqua card and the provision of his Amazon card. However, in this case, based on the information available at the time, I didn't think the Aqua card should have been provided. Therefore, I think Mr O should be refunded all interest and charges on the Aqua account as well as his Amazon account. I also think that Mr O's credit file should be amended in regard to both of the credit cards.

As Mr O accepted by provisional decision and NewDay didn't provide any new information in response to it, my conclusions haven't changed.

Putting things right

NewDay Ltd offered to refund charges and proportionate interest on the Aqua credit card from March 2019 and refund all charges and interest on the Amazon card. However, as I do not think the Aqua credit card should have been provided in November 2016, I find that NewDay should:

- Refund all interest and charges applied to Mr O's Aqua credit card account from the inception of the account in November 2016.
- As it has offered, refund interest and charges applied to Mr O's Amazon credit card account; and
- Remove any adverse information recorded on Mr O's credit file in regard to both the Aqua and Amazon credit card accounts.

My final decision

My final decision is that 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 O to accept or reject my decision before 13 June 2022.

Jane Archer

Ombudsman