

The complaint

Miss H complains that NewDay Ltd was irresponsible in its lending to her.

What happened

Miss H was provided with an Aqua credit card with an initial credit limit of £300 and the credit limit was gradually increased to £2,500. She says that NewDay had not been provided with any information that her financial situation had improved before the limits were increased and says the additional lending was irresponsible. Miss H says that she experienced difficulties in 2018 and that NewDay should have taken action then. Miss H says her Aqua credit card account and another account have now been closed even though she only raised a complaint about her Aqua credit card account.

NewDay noted that Miss H had an Aqua credit card account opened in March 2016 and a Fluid Mastercard account opened in May 2021. It said that before offering credit it considered a range of information provided by the credit reference agencies, account behaviour and information on the application form. It noted the accounts were aimed at people trying to improve their credit rating.

NewDay said that before the Aqua credit card was initially provided with a £300 limit, checks were carried out to establish Miss H's income and indebtedness. It says Miss H met its lending criteria. It then monitored Miss H's account and two credit limit increases were applied. It said Miss H was given notice of these increases and she could have opted out. It didn't accept that it was wrong to provide the credit limit increases. Miss H then applied for a Fluid account in May 2021 and based on her income, level of debt and other information gathered she met its lending criteria for an account with a £900 limit.

Our investigator didn't think that NewDay was wrong to provide the Aqua credit card in March 2016 with a £300 credit limit. However, she thought there were signs before the credit limit increase in September 2016 that Miss H may be struggling financially. Therefore, she didn't think the credit limit increase in September 2016 and subsequent increase in February 2017 should have been provided. Our investigator noted the credit limit decrease in March 2020 and the subsequent provision of the additional Fluid account with a £900 limit in May 2021 and didn't think it reasonable this account was provided.

NewDay didn't agree with our investigator's view. It said that although Miss H utilised her £300 limit this wasn't evidence that it was unaffordable. It said her first repayment was £90 which was much higher than the £5 minimum. It said that although Miss H then made the minimum repayments this was her right and within the terms of her agreement. Prior to the credit limit increase to £1,300 it said Miss H missed one payment which was due to illness and her account was then brought back up to date and a late payment fee refunded.

NewDay said that it carried out checks in line with the rules and that there was no evidence that Miss H's financial difficulties were due to NewDay's lending decisions. It said that the credit limit was decreased in March 2020, but this didn't put Miss H over her limit, instead this happened two months later due to Miss H's spending.

In regard to the offer of a Fluid account in 2021, NewDay said that Miss H had been managing her Aqua card account within the policy and that the account didn't go into arrears until after it was closed following the outcome of her irresponsible lending complaint.

My provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- Before providing Miss H with an Aqua credit card in March 2016, NewDay gathered information about her income and carried out a credit check. I didn't think these checks raised concerns and based on a credit limit of £300 against Miss H's declared income I didn't find that NewDay was wrong to provide the Aqua credit card.
- In September 2016, Miss H's credit limit was increased to £1,300. NewDay said Miss H had the option to opt out of the limit increase but it was NewDay's responsibility to ensure that the lending was affordable. The information provided showed Miss H's account from May 2016, and balance and other information from June 2016. While this showed she was utilising most of her available credit I didn't think her usage raised concerns as she was making payments and wasn't using up to the limit. Miss H made a payment of £90 in July 2016 which didn't suggest she was struggling financially and then the minimum £5 payment in August. She made two cash withdrawals totalling £30 in June 2016 and incurred a late fee which NewDay explained was refunded. On balance I didn't think Miss H's account management suggested she was struggling at the time of the first credit limit increase and based on the information available I didn't find I had enough to say that NewDay acted irresponsibly by providing this increase.
- Miss H reduced the balance on her Aqua card the month after the credit limit increase and then her balance gradually increased. A further credit limit increase to £2,500 was provided in February 2017. At this time, Miss H's outstanding balance was around £875. Miss H had incurred a further late payment fee and had been making cash advances. The credit data provided showed her number of active accounts was increasing along with her outstanding balances. The credit limit increase resulted in Miss H's balance being over eight times the initial limit provided less than a year earlier. There was no evidence to show that further checks were undertaken to ensure this increase was affordable, and considering the information gathered at application stage and the subsequent account information I didn't think that NewDay should have provided this credit limit increase.
- In 2018, Miss H contacted NewDay about the difficulties she was experiencing. In 2020 she experienced further difficulties and her credit limit was reduced in March 2020. Miss H's account from that point until the application for a Fluid card account in May 2021 showed she incurred several overlimit fees. I thought this suggested that Miss H was continuing to experience financial difficulties. I noted further checks at the time of the application showed Miss H had an annual gross income of £44,000 but also showed she had unsecured debt of £23,800. Given this and the concerns that had been noted on her Aqua account in the previous years I thought NewDay should have been concerned that providing further credit to Miss H at this time wasn't sustainably affordable.
- Overall, I didn't think that credit increase in February 2017 should have been provided nor the Fluid card account.

NewDay accepted my provisional decision. Miss H raised further issues about being contacted by debt collection companies, not receiving copies of statements that she had requested on several occasions and said the issues with NewDay were affecting her other credit accounts.

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, I do not think NewDay was wrong to provide the initial Aqua credit card with a £300 limit and I also do not find I have enough to say the credit limit increase to £1,300 in September 2016 shouldn't have happened. However, I do not think it reasonable that the limit was then increased further in February 2017 and I also do not think that the Fluid credit account should have been provided.

As no new information regarding the credit card account provisions and limit increases was provided my conclusions haven't changed and I am upholding this complaint in regard to the Aqua credit card limit increase in February 2017 and the provision of the Fluid credit card account. I note Miss H's concerns about her credit report and the redress to this complaint includes action in regard to this.

Miss H has raised other issues about how she has been treated while this issue has been outstanding and about not receiving statements despite requesting these on several occasions. However, as this complaint was raised about the provision of the credit cards and the credit limit increases and this is what has been investigated by NewDay, my decision is in regard to those issues. I understand Miss H has now received copies of her statements but if she wishes to raise a further complaint about this she can do so.

Putting things right

In regard to the Aqua account, NewDay Ltd should:

- Rework Miss H's account, removing all interest and charges that have been applied to any balance above £1,300 after February 2017. Any refund should be applied to reduce Miss H's outstanding balance. In the event the refund results in an overpayment, this should be refunded to Miss H along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement.
- remove any adverse information recorded about this account from February 2017 on Miss H's credit file.

In regard to the Fluid account, NewDay Ltd should:

- refund all the interest and charges Miss H has paid to date. If there remains an outstanding capital balance, NewDay should work with Miss H to establish an affordable repayment plan. If the refund results in a positive balance this should be paid to Miss H along with 8% simple interest* applied from the date of the overpayment to the date of settlement; and
- remove any adverse information recorded about this account from February 2017 on Miss H's credit file.

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

My final decision

My final decision is that I uphold this complaint. NewDay Ltd 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 Miss H to accept or reject my decision before 18 July 2022.

Jane Archer
Ombudsman