

The complaint

Mr T, who is represented by a third party, complains that NewDay, trading as Aqua (“Aqua”), irresponsibly granted him a credit card account he couldn’t afford to repay.

What happened

Mr T entered into an agreement with Aqua to have access to credit by way of a credit card account. The account was opened in April 2017 with a credit limit of £300. This increased to £1,300 in October 2017, £2,700 in January 2018, £3,950 in July 2018 and finally £5,450 in December 2018.

Mr T got into difficulty with his account in early 2020. In November 2020 he entered into a payment plan with Aqua. In December 2020 the account was sold to a third party.

Mr T says that Aqua didn’t complete adequate affordability checks when it opened his account. He says if it had, it would have seen that each agreement wasn’t affordable for him as he didn’t have enough income to make repayments.

Aqua said that it carried out a reasonable and proportionate assessment to check Mr T’s financial circumstances before granting him the card account and each of the credit limit increases.

Our adjudicator didn’t recommend the complaint be upheld. He thought Aqua didn’t act unfairly or unreasonably by approving each of the accounts.

Mr T didn’t agree and so his complaint has been passed to me 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.

Before opening the account I think Aqua gathered a reasonable amount of evidence and information from Mr T about his ability to repay. I say this because it asked for details about his income, job and other information relating to his financial situation, including details about money he owed elsewhere. Aqua also completed a credit check which showed no adverse information. However, just because I think it carried out proportionate checks, it doesn’t automatically mean it made a fair lending decision. So, I’ve thought about what the evidence and information showed.

I’ve reviewed the information and evidence Aqua gathered. Having done so I’m satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mr T. I say this because Mr T was at the time earning £32,000 a year and whilst he had a number of credit accounts he only owed a relatively modest sum of £2,700 in unsecured debt. Mr T did not appear overly reliant on cash borrowing and had not had any recent arrears, account defaults and had no County Court judgments. Our adjudicator noted a historical default and a public record that could be suggestive of financial difficulty but I

agree that this wasn't sufficiently close to the date of the agreement to be something that might be considered relevant to his financial situation at that point.

All of this suggests he was likely to have been in a financially stable position at the time. For these reasons, I don't think Aqua acted unfairly when approving the finance application.

Before it gave Mr T each of the credit limit increases, I think Aqua gathered a reasonable amount of evidence and information from Mr T about his ability to repay.

For the first credit limit increase, whilst Mr T had increased the overall number of accounts where he had unsecured borrowing, this was still relatively low and he hadn't defaulted or missed payments.

By the time of the second credit limit increase, Mr T was continuing to manage his account well and was making more than minimum payments each month. His borrowing elsewhere raised no real cause for concern – he had reduced the number of accounts he was using - with his debt level only marginally higher than where it was at the time of the first credit limit increase.

At the time that Aqua gave him his third credit limit increase, Mr T was still managing his account well. He'd increased his overall level of unsecured borrowing further with three more accounts and I can see that his level of debt had increased significantly. However, the sums he owed had been decreasing further with no evidence that he might be getting into financial difficulty.

From then up to the point of his fourth and final credit limit increase, Mr T continued to manage his account well and made monthly payments that were well above the minimum required. He briefly went into arrears with his Aqua account in the month before the increase, but brought the account up to date again with the next payment. His overall level of debt had increase slightly but Mr T still appeared to have reasonable control of all his unsecured borrowing.

In summary, the evidence and information I've seen overall demonstrates that Mr T appears to have had enough disposable income each month to make regular, sustainable repayments towards each of these credit limit increases. I also note that he never used the account for cash withdrawals. Having completed proportionate checks, I therefore think it's likely Aqua would have discovered all this too. It therefore didn't act unfairly by increasing Mr T's credit limit on each occasion.

So, whilst I can't say that Aqua's actions were necessarily appropriate at all times, I don't think Aqua's actions in opening the account and for each of the four credit limit increases was enough to cause Mr T to lose out.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 18 August 2022.

Michael Goldberg

Ombudsman