

## **The complaint**

Miss J complains that NewDay Ltd ("NewDay"), irresponsibly granted her an Aqua credit card account she says she couldn't afford to repay.

## **What happened**

Miss J entered into an agreement with NewDay to have access to credit with an Aqua account that was first opened for her in March 2014, with an opening credit limit of £250. NewDay first increased Miss J's credit limit in August 2016 to £500 and then again in February 2017 to £1,000. Miss J unfortunately got into difficulty with the account. The outstanding debt was passed to a third party in October 2017, with the account going into default in February 2018.

NewDay consented to this service looking into Miss J's complaint about the first and second credit limit increases, but said the part of the complaint about the account opening had been made too late. I have previously issued a jurisdiction decision where I said the complaint about the account opening had been made too late.

NewDay offered to refund her all interest and charges that were added to her account, plus interest, from the February 2017 credit limit increase. Our adjudicator said this offer was fair but Miss J isn't happy with it. She says she would like to have her debt removed and credit file amended to reflect this.

The complaint has therefore come to me for a 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.

NewDay will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I've decided that NewDay's offer is fair but I would like to explain how I've made my finding.

Looking at the first credit limit increase in August 2016, I agree with our adjudicator that it would have been proportionate for NewDay to have taken steps to find out more about any changes to income and expenditure at this point. But we don't have any details from Miss J about her financial circumstances then. So based on the evidence and information available, we can't know whether the account had become unaffordable at this point.

Looking next at the second credit limit increase in February 2017, Miss J had used almost all her available credit. And whilst she'd made payments towards the card that were above the minimum required, I can see she'd made a number of late payments and had therefore been charged three late payment fees. She also had a note about financial difficulty with credit

added to her credit file in December 2016. After that, her credit file shows that Miss J's overall financial position continued to worsen.

I therefore agree that by then NewDay ought to have been aware that Miss J may not have been in a position to manage her account without getting into financial difficulty and so the credit limit increase wasn't affordable.

It follows that I don't think NewDay should have increased Miss J's credit limit beyond the first increase up to £500.

Having looked at the terms of NewDay's offer to refund the interest and charges arising following the credit limit increase to £1,000 in February 2017, I'm satisfied that this is consistent with how we'd expect NewDay to compensate Miss J in cases like this.

I would however expect NewDay to continue to act with appropriate forbearance in seeking to assist Miss J in her efforts to find a fair and manageable way to pay back any balance that is still owing on her account.

### **Putting things right – what NewDay needs to do**

As NewDay has agreed it shouldn't have increased Miss J's credit limit to £1,000 on 17 February 2017, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. I see that NewDay has already provided a breakdown of these sums.

To be clear about what NewDay needs to do, it needs to :

- Rework the account removing all interest and charges that have been applied to balances above £500, being the previous credit limit.
- If after the rework the outstanding balance still exceeds £1,000 New Day should arrange an affordable repayment plan with Miss J for the remaining amount. Once Miss J has cleared the outstanding balance, any adverse information recorded after 17 February 2017 in relation to the account should be removed from her credit file.

OR

- If the rework results in a credit balance, this should be refunded to Miss J 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 17 February 2017 regarding this account from Miss J's credit file.

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

### **My final decision**

I'm upholding Miss J's complaint in relation to the second credit limit increase and require NewDay Ltd to put things right in the way I've set out above if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 31 January 2023.

Michael Goldberg

**Ombudsman**