

The complaint

Mrs W complains that NewDay Ltd trading as Aqua irresponsibly allowed her to open a credit card account which was unaffordable and later increased the credit limit without appropriate checks.

What happened

Mrs W says she opened the Aqua credit card account in May 2018. She says she was in debt at the time with a loan as well as other credit card debts. Mrs W says she had previous defaults registered on her credit file. She says the account was unaffordable as was the credit limit increase in 2019. Mrs W says she was reliant on her overdraft and would like any interest paid to be refunded.

Aqua says it carried out appropriate checks on the application and later credit limit increase. It says Mrs W told it she was earning £25,000 a year with access to her partner's income. Aqua says the defaults were of some age and there was no evidence of adverse information on her credit file. It says Mrs W told it about her financial difficulties in June 2019.

Mrs W brought her complaint to us, and our investigator didn't uphold it. The investigator based her view on the available evidence which did not include Aqua's business file. The investigator calculated Mrs W's income and expenditure at both the account opening as well as the credit limit increase. And thought both were affordable. The investigator accepted further checks ought to have been carried out but that those further checks would not have raised concerns about the lending decision.

Mrs W doesn't accept that view and says she took out further credit as well as a loan after the account was opened but before the credit limit increase.

My provisional decision

I issued a provisional decision on this complaint and said that Aqua ought to have carried out further checks before increasing the credit limit in January 2019. And that the credit limit increase was unaffordable as well as unsustainable.

I explained that lenders and credit providers must carry out reasonable and proportionate checks on any credit or lending application. Those checks will of course vary depending on the type and or amount of any lending. But appropriate checks must always be carried out.

I said Mrs W applied for a credit card account in May 2018. And that Aqua checked her credit file and carried out affordability checks. I was satisfied having looked at Mrs W's credit file that there was not any current adverse information on her credit file such as arrears or defaults. And that the defaults Mrs W said she had were likely to have been at least three years before this application. I appreciated that the investigator took the view that further checks could have been carried out, but the result was likely to have been the same that the credit facility of what I thought was a modest amount of £900, would have been approved.

So, I didn't think the decision to approve the application in 2018 was irresponsible and could

see the investigator had calculated Mrs W's income as well as expenditure which provided additional evidence the credit facility was affordable. I made clear this was not a loan but a credit facility of a relatively modest amount of £900 which considering Mrs W's income and expenditure at the time, ought to have been affordable.

The credit limit was increased in January 2019 from £900 to £2,250 which I thought was a relatively significant amount. Aqua had not provided its business file and so I couldn't see how Mrs W managed her account. But I could see from her bank statements and credit file that her borrowing had increased significantly. I was satisfied that Mrs W was more reliant on her overdraft facility and her disposable income had significantly dropped. So, in those circumstances I said I would have expected Aqua to have carried out further checks before increasing the credit limit. And I thought it likely that further checks would have shown the lending to be unaffordable. I could also see that by June 2019 Mrs W had sought help from a debt agency which provided additional evidence the credit increase was unaffordable and not sustainable.

Overall, I didn't think provisionally that appropriate checks were carried out before the credit limit increase in early 2019 and if they were, thought that Aqua should not have increased that amount.

I said I intended to direct Aqua to rework this account in the usual way by directing it to refund any interest or charges from the date of the credit limit increase. And then if there was a balance owing to Mrs W pay interest on that amount. Alternatively, if there was a balance to be repaid then it should agree an interest free repayment plan that is affordable.

I said I hoped Aqua would now provide its business file including the account statements between the opening date and credit limit increase. I also hoped it would provide information about any information that had been reported to the Credit Reference Agencies.

I could see Mrs W used a debt help agency in 2019 and said I hoped she would provide further information about that. I also hoped she could provide information about why her financial position deteriorated from 2019 and what her up to date position was.

Aqua has responded to my provisional decision and says it agrees with it.

Mrs W has also replied and provided further information about her financial position.

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.

Having done so I have come to the same overall decision that I reached in my provisional decision and for the same reasons. Aqua hasn't provided the account up to date position.

Putting things right

Aqua should rework this account in the usual way by removing interest and charges from the balance from the credit limit increase date as well as by deducting repayments previously made. If there is a balance owed to Mrs W, then it should pay 8% simple interest from the date of payment to the settlement date. If Aqua is required to make a deduction for taxation due to His Majesty's Revenue and Customs from that payment, then it should provide a certificate in the usual way. If there is a balance owed to Aqua then it should agree an affordable, interest free repayment plan with Mrs W and remove any adverse information from her credit file when that plan is completed

My final decision

My final decision is that I uphold this complaint in part and order NewDay Ltd trading as Aqua to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 19 October 2024.

David Singh
Ombudsman