

## **complaint**

Mr H is unhappy that New Day Ltd trading as Aqua increased his credit limit without completing a thorough credit assessment.

## **background**

I issued my provisional decision, which is attached to, and forms part of, this final decision in February 2018. In my provisional decision I explained what Aqua needed to do to put things right. I asked both parties to provide me with further comments by the 13 March 2018.

Aqua explained it had nothing to add to my provisional decision.

Mr H made the following points:

- His credit score would have been worse at the time of the limit increase to £1250 than at the time he opened his credit card.
- I've commented that the raise from £500 to £1250 is reasonable. Mr H says even though he was making minimum payments he was regularly over his limit.
- Aqua wrote to him 40 days before raising the limit and it is absurd he has to decline.
- Mr H has also referred to FCA Handbook guidance about credit increases.
- I've commented that the limit increase was affordable for him. How can this be regarded as affordable when he had a number of outstanding loans?
- How has the figure of £200 come about for distress and inconvenience?
- He can afford to pay £30-40 a month to repay his credit card.
- Will any late payments, since the increase, be removed from his credit file?

## **my findings**

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. And in doing so I've come to the same conclusion.

Whilst my decision hasn't changed I will address Mr H's points.

Mr H has argued that his credit score would have been worse at the time of the increase to £1,250. And says I've commented that an increase from £500 to £1,250 over 12 months is reasonable. Mr H also refers to the FCA Handbook guidance about significantly increasing credit limits. I'd like to refer Mr H to my provisional decision where I've explained that I think it was irresponsible of Aqua to increase his credit limit.

Mr H has also asked how the increase can be regarded as affordable when he had outstanding finance including a number of payday loans. I'd like to assure Mr H that I've carefully thought about what he's said but my provisional decision explains why I think the increase was affordable for him.

Mr H has questioned where the figure of £200 for trouble and upset has come from. Mr H suffered anxiety as a result of the credit limit increase. And because I think Aqua made a mistake in increasing his limit, it should compensate him for the stress and anxiety it caused. Having thought carefully about the impact the situation has had on Mr H I think £200 is appropriate compensation for this.

Mr H has advised he can afford to pay £30-40 a month. In my provisional decision I've explained that I think it's fair that Mr H pays back the balance at the current minimum payment level or more if he chooses to. If Mr H is unable to make or maintain these payments he will need to discuss this with Aqua.

Mr H has asked if any late payments, since the increase to £1,250, will be removed from his credit file. Although I understand Mr H is disappointed that late payments may appear on his credit file, I won't be asking Aqua to remove these. My provisional decision explains why I think the increase from £500 to £1250 was affordable for him. I think Mr H was able to afford the minimum payments and therefore could have avoided the late payment fees.

### **my final decision**

For the reasons set out above, and in my provisional decision, I uphold Mr H's complaint against NewDay Ltd trading as Aqua.

I won't be asking Aqua to repay all the late payment or over limit fees – because I think Mr H would've likely always incurred these even if his limit had been £500. However I'm satisfied that Aqua was irresponsible in increasing his limit to £1250. To provide Mr H with the fairest opportunity to replay the balance on the credit card I direct NewDay Ltd trading as Aqua to:

- Close the credit card to further spending and allow Mr H to repay the remaining balance at the current minimum payment level
- I think that Mr H has also suffered a level of anxiety due to the increase therefore I direct them to pay Mr H £200

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 26 April 2018.

Jeff Burch  
**ombudsman**

## **copy of provisional decision**

### **complaint**

Mr H is unhappy that New Day Ltd trading as Aqua increased his credit limit without completing a thorough credit assessment

### **background**

Mr H took out an Aqua credit card in 2014 with a credit limit of £250. In 2014 Aqua increased his credit limit to £400. Aqua explained that Mr H was regularly going over his limit, incurring over limit and late payment fees. Therefore they offered Mr H a further increase on his limit to £500. After the increase Mr H continue to exceed his credit limit, receiving further over limit and late payment fees, and he was also taking out a number of cash advances.

In December 2015 Aqua wrote to Mr H offering him a credit limit increase to £1250. In January 2016 this increase was applied because Mr H didn't tell Aqua he didn't want it. After the increase Mr H made a number of cash withdrawals in January 2016 and was quickly at the limit. Mr H has since had a number of over limit and late payment charges.

Mr H was unhappy with the decision to increase his credit limit advising that he had a very poor credit score at the time of the raise. He made a complaint to Aqua. Aqua said that whilst they had offered him credit limit increases there was always the option to decline the increase. And it was satisfied Mr H could afford the borrowing.

Mr H was unhappy with Aqua's response so complained to us.

An adjudicator looked into Mr H's complaint and concluded that Aqua did act irresponsibly in raising Mr H's credit limit. The adjudicator asked Aqua to refund charges and over limit fees after the increase to £1250 in January 2016.

Aqua was unhappy with the adjudicator's view. They advised that at the time of the credit limit increase they couldn't find any evidence that Mr H wouldn't be able to support the increase. They also argued that the Mr H maintained payments, bringing the account back under the limit throughout each month. Aqua also says they followed the UK Cards Association Guidelines. Despite this they offered to refund the over limit and late payment charges which have been applied since the last credit limit increase.

Mr H was also unhappy with the adjudicator's view advising that:

- Aqua haven't evidenced what lending criteria they applied
- They increased his credit limit by 150%
- He had been making minimum payments for a long period of time
- He had a high level of credit indicating he was in financial difficulty
- He had told Aqua that he was struggling to make the payments
- As a consequence he was never a suitable candidate for an increase of such a high level

Mr H asked for the £750 increase to be put on 0% and any interest charged since January 2016 to be repaid to him.

### **my provisional findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

#### *was it reasonable for Aqua to increase Mr H's limit?*

Aqua increased Mr H's limit from £500 to £1250 in January 2016. The adjudicator asked Aqua to provide evidence of their lending assessment. Aqua have refused to provide specific detail regarding their decision making process which is unhelpful. Instead they have provided limited information stating that Mr H only missed one payment over the past 12 months and his card was broadly well managed. And although Mr H exceeded his limit on a regular basis this was quickly brought back within the credit limit.

Aqua has argued that they followed UK Cards Association guidelines in offering Mr H the credit limit increase. I've seen a letter Aqua sent to Mr H giving him 40 days' notice that his credit limit will be increased.

Aqua has explained that they offered Mr H an increase in 2014 from £400 to £500 to help him manage his credit limit better. And I think that was a genuine effort to help him avoid over limit charges. But there is clear evidence that this didn't help because Mr H continued having regular over limit and late payment fees. I therefore don't think an increase from £500 to £1250 just over 12 months later is reasonable.

Aqua has also argued that they couldn't find any evidence that Mr H was unable to manage the increase. However Mr H had regularly been over his credit limit and received late payment fees. So this could be an indicator for someone struggling to manage their finances.

Given Mr H's poor conduct of his account prior to the increase, I think it was irresponsible of Aqua to increase his credit limit – particularly by such a large amount. Had it still wanted to increase the limit, I think it would've been appropriate to explore in greater detail whether or not Mr H could afford the increase.

#### *was the increase affordable for Mr H?*

I've looked at Mr H's bank statements for his current and savings accounts. It is clear from reading these statements that Mr H was having difficulty managing his finances. But I also think that at the time of the increase Mr H had sufficient funds to manage the payments on his Aqua card. Therefore I'm unable to say that the credit limit increase was unaffordable for Mr H.

#### *has Mr H been disadvantaged by the increase?*

Aqua has offered to refund over limit and late payment charges since the increase. However Mr H was incurring the same value fees prior to the increase to £1250. Therefore I don't think this is the most appropriate way to put things right.

Mr H has asked for interest to be refunded on the additional £750. Aqua was irresponsible in lending this to Mr H however the increase was affordable. Because Mr H has had the benefit of the money he spent, it's fair for him to pay this back.

However Mr H has evidenced that he is struggling to manage his card appropriately. To ensure that Mr H doesn't incur further debts I think that Aqua should close Mr H's account to further spending. And allow Mr H to make payments to reduce the balance. Mr H can then repay the remaining balance at a rate he thinks is appropriate.

I'm also satisfied that Mr H experienced anxiety due to the increased credit limit, and his failure to manage the card appropriately.

**my provisional decision**

I won't be asking Aqua to repay all the late payment or over limit fees – because I think Mr H would've likely always incurred these even if his limit had been £500. However I am satisfied that Aqua was irresponsible in increasing his credit limit to £1,250. To provide Mr H with the fairest opportunity to repay the balance on the credit card I'm planning to direct Aqua to:

- Close the credit card to further spending and allow Mr H to repay the remaining balance at the current minimum payment level.
- I think Mr H has also suffered a level of anxiety due to the increase therefore I direct them to pay Mr H £200

For the reasons I've explained above I uphold Mr H's complaint. I direct NewDay Ltd trading as Aqua to put things right in the way I've set out above.

I now invite both parties to submit any further comments or evidence by 13 March 2018.

Jeff Burch  
**ombudsman**