

## **complaint**

Mrs J complains about irresponsible lending by NewDay Ltd (trading as Aqua).

## **background**

Mrs J had a credit card with Aqua. She is unhappy Aqua kept increasing her card limit which contributed to her downward spiral of charges and debt. Mrs J said she was only making the minimum payment and struggling financially. Aqua didn't call her or carry out a proper examination of her finances before increasing her limit. So she wants a full refund of charges and interest after the increase.

Aqua said it had increased her credit limit in September 2014 after a review of her account and external credit references. An offer to increase her credit limit in February 2015 had been withdrawn before it had been accepted. When the offers had been made Mrs J had met its lending criteria. And she could have declined the increase.

Mrs J wasn't satisfied with Aqua's response. So she contacted our service and our adjudicator looked into the matter. She recognised that Aqua is a credit facility for customers with poorer credit scores. But she felt there were signs of financial difficulty on Mrs J's credit file. And an increase of £750 was a large amount if no additional checks had been made. Aqua should have spoken to Mrs J to before increasing her credit limit. It wasn't affordable. So she thought Aqua should refund all interest and charges applied since the limit was increased in October 2014.

Aqua didn't agree. It'd carried out the required checks before the limit had been increased. So it's asked for an ombudsman's final decision.

## **my findings**

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

Aqua has explained its processes before offering Mrs J the credit increase in 2014. It looked at how Mrs J had maintained her account, her payment history, how long she had the account and her internal and external credit scores.

Aqua said its card is typically offered to customers who might have a lower credit score to help them rebuild their rating. It wasn't unusual for a customer with a poorer score to be offered credit. So I've looked whether Aqua acted responsibly when it increased Mrs J's credit limit. And if not what it should do to put things right.

I can see the account statements to October 2014 show Mrs J was paying slightly more than the required minimum monthly payment. And she wasn't using her card for any purchases. But once her credit limit increased Mrs J began to use her card and quickly exceed the limit.

Mrs J's credit file shows that she had defaulted on two overdrafts in 2014. Other accounts were in arrears and there was a history of missed payments. She had also begun to use payday loans. I recognise Aqua offers credit facilities to customers who might have a poorer credit score. But I would expect it to recognise that its customers

may get into financial difficulty again and act responsibly when considering whether to offer further lending.

The account was opened in February 2012 and although Mrs J had managed to make her monthly payments until October 2014 I do think an additional £750 (or nearly 60%) was a considerable increase to her credit limit. The result was that Mrs J quickly used the new credit availability and exceeded her increased limit within a month.

Although Aqua says it carried out its normal checks and inquiries it would've been partly relying on information provided by Mrs J over two years earlier. And it should've been clear from her credit reports that Mrs J was already experiencing some financial difficulty. So I think it would have been reasonable and responsible for Aqua to have spoken to Mrs J and discussed the suitability of an increase. It would then have been able to more accurately assess a suitable credit limit. Aqua did offer a further increase the following year but withdrew the offer before it was accepted. So I think it was aware that Mrs J's financial situation would only worsen if it allowed the increase to go through.

Mrs J has had the benefit of the additional spending on her credit card. But I don't think it's right that Aqua should have increased her limit without carrying out further discussions with Mrs J about her income and expenditure. Mrs J had defaulted on two overdrafts on current accounts, which suggests she was finding it difficult to manage her finances. And Mrs J didn't ask for the increase. It was offered by the bank. If Aqua had carried out further checks with Mrs J I think it would have reconsidered increasing her limit – as it did a year later.

So I agree with our adjudicator that Aqua didn't act fairly when increasing Mrs J's credit limit.

It should repay all interest and charges applied to the account since the credit limit was increased in October 2014.

### **my final decision**

My final decision is that NewDay Ltd (trading as Aqua) should repay all interest and charges applied to the Mrs J's account since October 2014.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 29 January 2019.

Andrew Mason  
**ombudsman**