

complaint

Mr L complains that NewDay Ltd lent him money irresponsibly when it increased his credit limit at a time when he was experiencing financial difficulties.

background

Mr L held a credit card account with NewDay ("Aqua"). In November 2013 and July 2014, the credit limit on the account was increased.

Mr L says he was already struggling to pay the minimum monthly payment. He says if Aqua had carried out sufficient checks it would have seen that he was experiencing financial difficulties.

Mr L feels he should never have been accepted for the credit card. He says at the time of his application in 2011 he was only earning £900 per month.

Mr L wants Aqua to refund all interest and charges on the account and to remove any negative information from his credit file.

Our investigator didn't uphold the complaint. He said that Aqua had considered the last 6 months' worth of account history before offering to increase the credit limit and that there were no issues with the account in either of the six month periods leading up to the credit limit increases in November 2013 and July 2014 which might have indicated to Aqua that Mr L was experiencing financial difficulties. The investigator was satisfied that Aqua had carried out reasonable and proportionate checks at the time when Mr L applied for the account.

Mr L didn't agree. He said that 6 months prior to the credit limit increase in November 2013 the balance was close to the credit limit and he had gone over the credit limit in September 2013. He said that during this 6 month period he had only made the minimum payments. Mr L also said that in the 6 months prior to the credit limit increase in July 2014 the balance was close to the credit limit and he had missed a payment in March 2014. He said that Aqua should have taken into account the fact that he had previously been in a debt management plan and had a history of minimum payments and/or missed payments since leaving the debt management plan. Mr L said that after his debt management plan ended he had made 13 cash withdrawals on the account and had also made balance transfers to other cards, only to reach the credit limit on the Aqua card again.

my findings

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

In deciding whether it's appropriate to advance credit, lenders must undertake reasonable and proportionate checks to see if the lending is affordable. When Aqua decided to offer Mr L an increased credit limit, it wasn't required to carry out a full check of his income and expenditure but it did need to carry out proportionate checks.

I can see that Mr L was first offered an increase in November 2013 and again in July 2014. Mr L had been using the account since 2011. Although Mr L says he was often close to his credit limit (and occasionally over it), overall it looks as if Mr L was managing to pay off his

debt with Aqua. I understand that Mr L had other borrowing and used the Aqua card for cash withdrawals on a number of occasions but based on the evidence I've seen it appears that he (for the most part) made payments every month and was managing the Aqua account well. I don't think it was unreasonable of Aqua to offer Mr L a credit increase in these circumstances.

Mr L says that Aqua should have taken account of the fact that he was in a debt management plan in 2011. Aqua has explained that it considers the last 6 months of account history when deciding whether to offer a credit limit increase. I think this a reasonable amount of time for a business to determine how an account is being managed and I'm satisfied that this is a proportionate check for Aqua to carry out. The debt management plan was active in 2011/2012, which is well before the 6 month period that Aqua was looking at.

I can see that the offers to increase the credit limit had a cooling off period. If Mr L felt he couldn't cope with more credit he could have cancelled the increases, but he didn't.

I can see that Aqua didn't offer Mr L any further credit limit increases after July 2014. I think this shows that Aqua acted responsibly by taking Mr L's management of the account at this time into consideration. This provided to be the correct decision because (as Mr L has explained) he set up payment arrangements in 2016 and 2017 and ultimately entered into another debt management plan.

On balance, if the lending had been unaffordable at the time when the credit limit increases were offered, I would have expected Mr L to have entered into a payment arrangement and/or a debt management plan much sooner than he did.

For the reasons given, I don't think Aqua lent to Mr L irresponsibly and I won't be asking it to do anything.

my final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 25 November 2018.

Emma Davy
ombudsman