

complaint

Ms C complains that NewDay Ltd (trading as “Aqua”) acted irresponsibly when it allowed her two credit cards. She says the cards were unaffordable and her credit limits kept being increased. She also says Aqua’s rules were that only one card was allowed per customer.

background to the complaint

Ms C has two credit cards with Aqua. The first was taken out in May 2008 with an initial limit of £1,900. Over the years this has been increased in increments to £5,700. Aqua sent Ms C letters each time explaining what she needed to do if she didn’t want her limit increased. The second card was taken out in May 2013 with an initial limit of £500. Over the years this has been increased in increments to £5,150. Aqua again sent Ms C letters each time explaining what she needed to do if she didn’t want her limit increased.

In 2017 Ms C started getting into trouble with her payments and then in January 2018 she contacted Aqua to say she was struggling with her finances. Ms C complained to Aqua that the lending had been irresponsible. Aqua didn’t uphold the complaint, so it was brought to us. Aqua recently offered to clear down and close the 2013 card account, and remove any adverse data relating to it from Ms C’s credit file. This was due to Ms C’s complaint that she should only have been allowed one card.

An adjudicator looked things and thought the offer was fair, and that Aqua didn’t need to do anything else. She was satisfied Aqua had carried out adequate checks before granting the cards. Ms C didn’t agree and so it’s been passed to me to decide.

my findings

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

Before lending to a customer, we expect businesses to perform some checks to ensure that the money can be repaid. We can’t tell businesses which checks need to be carried out; this is for a lender to decide. But we do expect them to be able to show that they carried out reasonable and proportionate checks in the circumstances. I’m satisfied that Aqua carried out appropriate checks when it considered the applications for both cards and when it increased the limits.

I’ve looked through Ms C’s account statements and the credit report she’s provided, and I’ve taken into account what she’s told us about her circumstances. But I don’t think Aqua acted irresponsibly in offering her the increased credit limits. Ms C says her inability to pay over the minimum amount should have alerted Aqua that increasing her limits and offering her another card were both irresponsible acts. She also says that she was using other credit cards and loans. But the accounts were being maintained satisfactorily.

I acknowledge Ms C was making only minimum payments on her Aqua accounts, but that isn’t necessarily an indication that a customer is in financial difficulty. In fact it shows that the customer is able to maintain the accounts. The very nature of a credit card account is that it allows the customer flexibility to pay either the minimum (or £5, whichever is the higher amount) each month, or to increase the amount over and above the minimum to repay the debt more quickly. If the minimum payment is made, this includes a payment towards 1% of the outstanding debt.

So each month the debt will reduce, and thus the monthly minimum payment will reduce. What this means is that, if the minimum payment goes down and the borrower chooses to pay the same amount as they were originally paying as the minimum, more of that payment will go towards reducing the debt over time. But if the customer continues to pay just the minimum, the debt will take longer to repay.

Aqua has told us that it reviewed how Ms C had been managing her account(s) before offering the increased limits. And Ms C had the opportunity not to accept each increase or not to make use of it, if she felt it wasn't right for her. She also had the option to select that she wanted to opt out of all future credit limit increases.

The guidelines about increasing credit limits state that a credit card provider must tell its customer in advance that it intends to increase their credit limit, and give them the opportunity to decline that particular increase, or all future increases. Aqua complied with that requirement, and Ms C didn't tell Aqua that she didn't want the limit increases. Instead, Ms C accepted them and made use of them. I don't think that can always be a defence to this type of complaint, or else credit card providers would always be able to avoid their responsibilities. But I do think that their customers have to take some responsibility for their own finances too.

Having reviewed everything I'm satisfied Aqua didn't know that Ms C was struggling before 2017. Now it does know, I expect it to treat Ms C positively and sympathetically and I hope the sides can have an open and honest dialogue about the best way forward. I appreciate Ms C has had a difficult time, but overall I'm not persuaded that Aqua acted irresponsibly either in granting the applications for the two credit cards or in increasing the card limits.

That said, Aqua has offered to clear down and close the 2013 card and remove any adverse information that relates to that card from Ms C's credit file. That seems fair. I wouldn't order it to do anything more as Ms C had the benefit of the funds she'd spent on that card, and all I'd normally expect Aqua to do would be to merge the two cards, so the full debt remained outstanding (just all on one card rather than spread across two). As Aqua has already gone further than that, I don't make any further order or award for this part of Ms C's complaint.

my final decision

I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 17 January 2019.

Julia Chapman
ombudsman