

complaint

Mr P complains that NewDay Ltd (trading as Aqua) should not have approved his credit card application.

background

Mr P applied for an Aqua credit card in October 2018. His application was successful and Aqua gave him a card with a credit limit of £900. He went over the credit limit in January 2019 and isn't able to keep up with the minimum payments. Aqua suspended Mr P's account in May 2019.

Mr P complained to Aqua. He suffers from mental health issues and has been signed off work. He says he wasn't in a fit state to take on the credit card at the time the account was opened. He says his credit rating was very poor at the time and that he had spent up to the limit on two other credit cards which he wasn't able to pay off. He says the debt is affecting his mental state and he has asked Aqua to write off the outstanding balance on his account.

Aqua didn't uphold the complaint. They say that, at the time Mr P applied for the card, his records showed no arrears or defaults. They accept that he had a high level of debt. But they say that wasn't unusual because the Aqua card is marketed towards customers who may find it more difficult to obtain credit. They say they had no concerns over Mr P's application at the time. They also say they had no way of knowing about his health issues when he applied for the card.

When Mr P brought his complaint to this service, our investigator thought that Aqua had acted fairly. Mr P didn't accept our investigator's view, so his complaint has been passed to an ombudsman for a 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.

When Mr P applied for the credit card, Aqua needed to check whether he would be able to repay it in a way which was sustainable. They needed to carry out checks which were proportionate to things like the amount of credit being applied for and the information Mr P had provided about his financial situation. But there isn't a set list of checks which Aqua had to do.

Aqua say their decision to offer credit was based on information supplied by Mr P, data from the credit reference agencies and their own risk strategies. They say they completed various checks including affordability and indebtedness checks before approving Mr P's application. Based on the information available to me, I'm satisfied they did so.

Aqua say that Mr P met their eligibility criteria. And that their calculations showed his disposable income was enough to afford the minimum payments on the card. They say it's not unusual for a customer with a poorer credit score to be offered this card, giving them the chance to rebuild their credit rating. I think that's a reasonable explanation. It's for Aqua as a business to decide who they extend credit to and on what basis. What I'd expect is for them to perform enough checks before they do so. Based on the information available to me, I'm satisfied they did that here.

I haven't seen anything which shows that Mr P told Aqua about his health issues before he brought this complaint. And it didn't come to light as part of their checks. So I don't think it's reasonable to expect them to have known. And I think their decision to offer credit at the time of Mr P's application was reasonable.

I note from Mr P's statements that no interest or default fees have been applied to the account since June 2019. I think that's fair. But I'm not going to ask Aqua to write off the account balance because I don't think they've done anything wrong here and Mr P has had the benefit of the money the card provided. Aqua have invited Mr P to contact their Customer Care team and I would urge him to do so to discuss a way forward.

my final decision

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 21 November 2019.

Katy Kidd
ombudsman