

complaint

Mr S complains NewDay Ltd (trading as Aqua and Marbles) was irresponsible when it increased the credit limit on his credit card accounts which were unaffordable.

background

Mr S said he'd recently experienced some financial distress and was unable to make full payments on the accounts. He said his Aqua card ending 8678 (now 6373) was opened in 2008 and the limit increased from £250 in January 2014 to a limit of £3,150. A Marbles account ending 5555 increased from around £900 when the account was opened in £2,015 to £2,500. He had a second Aqua card ending 4615 between July 2013 and February 2017 which increased from £250 to £400 before it was combined with account 8678. The total lending from NewDay is £5,650. He said NewDay should've been aware he was only making the minimum payments and he was using almost all his credit limit. It should've checked his credit record and seen he'd taken out a lot of other credit including payday loans. And he said it was his understanding that NewDay's company policy was not to allow two Aqua cards.

NewDay said before increasing the limit on his card accounts it reviewed internal and external data and Mr S met its lending criteria. It said it gave him the option of keeping his existing credit limits and to opt out of any increases in the future. It said that it generally doesn't allow two products of the same type to be open at the same time. But *"small differences in the information provided in the applications does allow a second account to be accepted"*. And it said the Marbles account was opened in line with its business policy.

Our adjudicator thought NewDay had dealt with Mr S's complaint fairly. She could see there were minor differences in his second application for an Aqua card and on his application for his Marbles credit card account so she thought NewDay had followed its policy about multiple credit card accounts. And she could see his income was increasing and the number of defaults had decreased. His payments were being made on time and he was keeping within his credit limits. So she didn't think NewDay had been irresponsible in lending to him.

Mr S didn't agree with this. He said a difference in income between applications by the same individual is *"an error in respect of this policy"*. And a reduction in the number of defaults from nine to six *"is hardly indicative of a well managed income"*.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I've come to the same conclusion as the adjudicator for very similar reasons.

NewDay has a responsibility to complete reasonable and proportionate checks to satisfy itself that Mr S would be able to repay the credit in a sustainable way. The checks a lender should carry out should be proportionate to the size of the lending and the cost of repayment. But we can't say that a lender should've done any particular check. Based on the information available to it, the increase in Mr S's credit limits met NewDay's lending criteria. Banks are entitled to set that criteria using commercial judgement and I can't find that NewDay acted unreasonably in applying it to these increases.

But the next question I have to ask is whether it was fair for NewDay to increase Mr S's credit limits based on what it knew about him through those checks? In other words, was Mr S able to afford the credit in a sustainable way?

I can see from Mr S's account history that he appeared to be managing his accounts without difficulty. So I think the credit limits were affordable at the time. Mr S says he's now in financial difficulties but I have to consider whether the increases in credit limits were affordable at the time of the increases and as I've already said I think they were.

I've considered whether it was irresponsible for NewDay to have given Mr S the credit limit increases. Irresponsible lending is not just about whether Mr S could afford to repay the credit or not – it's whether there's another reason he shouldn't have had the credit. This will depend on his personal circumstances.

Mr S said he had other credit cards and a number of payday loans. And he thought NewDay should've been aware of those and that it was acting irresponsibly when it increased his debt. But before NewDay offered to increase his credit limits it reviewed a combination of internal and external data and it said Mr S met its financial difficulty and affordability criteria in line with its policy on responsible lending. So I'm satisfied NewDay carried out reasonable and proportionate checks to ensure Mr S would be able to repay any credit in a sustainable way. So even if Mr S had other credit including payday loans I can't fairly say NewDay was irresponsible when it offered to increase his credit limits.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 28 March 2020.

Linda Freestone
ombudsman