

complaint

Mr W complains that NewDay Ltd, trading as Aqua, irresponsibly increased the credit limit on his credit card.

background

Mr W took out an Aqua credit card in 2011 with a credit limit of £300. He says that limit was increased on a number of occasions up to £2350 in November 2014. Mr W says during that period he was in financial difficulties and had taken out numerous payday loans. He says if Aqua had carried out checks on his financial position, then it would've realised the lending was unaffordable.

Aqua says it increased the credit limit in line with its business policies following a review of Mr W's account. It says Mr W asked it to increase the limit in 2014. It also says Mr W hadn't told it about his financial problems, and it carried out checks before making the increases.

Mr W complained to us and our investigator didn't uphold his complaint. He thought Aqua had acted in line with the terms and conditions of the credit card by giving Mr W notice of any credit limit increases. He was also satisfied Aqua had carried out background checks before making the increases.

Mr W doesn't accept that view. He says at the time any checks would've shown he was constantly overdrawn and in difficulties. He would like the charges and interest payments refunded.

my provisional decision

I issued a provisional decision on this case. And having done so I came to the provisional view that some of the credit card increases were not assessed correctly and were unaffordable.

I looked through Mr W's statements from 2011 to the end of 2014. I didn't think Aqua made a mistake by giving Mr W a credit card in 2011 and Mr W also doesn't suggest that. I could see that the original limit was £300 and that the terms and conditions of the card allow changes to be made to that limit with notice being given. In 2012 the limit was increased to £800. I didn't think Aqua made a mistake by doing so. As I could see Mr W was making regular monthly payments in excess of the minimum required at that time, and the increases were relatively small.

From 2012 I could see that Mr W's main use of the card was to withdraw cash. I also saw that he was repaying the minimum sum every month but his credit limit by the end of 2014 was £2350. Only making minimum repayments and using a credit card to withdraw cash are seen as potential indicators of being in financial difficulties.

I could also see that Mr W was taking out a number of payday loans and borrowing from other sources. So I didn't think Aqua has acted responsibly by increasing the credit limit. I accepted Mr W made regular monthly payments and rarely missed a payment. But I thought Aqua should've realised Mr W was making large cash withdrawals and was only making minimum payments during this time. I also couldn't be sure what checks Aqua carried out before allowing the credit limit increases as they've not provided any evidence of this. I said that as I thought it should've been aware of the type of credit Mr W was taking out with payday lenders.

The evidence I saw suggests Mr W had little or no disposable income and was borrowing from a number of sources. And I thought Aqua should've been aware of Mr W's financial commitments from his credit file, and that it was irresponsible to increase the credit limits in those circumstances.

Mr W has had the benefit of the money and I think, as he does, that the money should be repaid. But to put things right I thought Aqua should refund the interest from the date of the increase of the credit limit from £800 in July 2012 until November 2014.

Mr W has accepted my provisional decision.

Aqua disagrees with my decision. It says withdrawing cash can be seen as a risk factor. But as long as Mr W was making payments on time and not in arrears then it wouldn't discriminate against him by not increasing his credit limit.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. And I've reached the same decision as I did in my provisional decision.

I've said in provisional decision why I think the credit limit shouldn't have been increased and how I think Aqua should put matters right.

my final decision

My final decision is that I uphold this complaint in part. I order NewDay Ltd, trading as Aqua to refund interest from July 2012 to November 2014. NewDay should add 8% simple to this figure per year from the date of each repayment to the date of settlement.

If NewDay Ltd considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr W how much it's taken off. It should also give Mr W a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 1 December 2017.

David Singh
ombudsman