

complaint

Mrs B has complained about two credit card accounts taken out with NewDay Ltd. Mrs B says that NewDay shouldn't have increased the credit limit on her Aqua card in 2014 and that it should not have allowed her to take out the Opus card in 2018.

background

In February 2012 Mrs B took out the Aqua card with NewDay. It had a credit limit of £800. In April 2012 Mrs B had to seek help with her debts through StepChange and in September 2012 she entered into a payment plan. In October 2013 StepChange said that the arrangement between it and Mrs B was ending as she was no longer considered to be in financial hardship.

Payments were maintained on Mrs B's credit card without any problem after the payment arrangement came to an end. In July 2014 NewDay wrote to Mrs B saying her card limit would be increased to £1,600 within 40 days if she didn't contact them to opt out. Mrs B didn't contact NewDay and so the limit was increased.

In 2016 Mrs B was once again in financial difficulty and arranged a new payment plan. Unfortunately Mrs B didn't keep to the payment arrangement and the debt was sold to a debt collection agency.

In 2018 Mrs B took out another credit card, the Opus, with a credit limit of £600. She fell into financial difficulty with this account and had to enter into a payment arrangement with NewDay.

In December 2019 Mrs B complained to us about NewDay. She explained that she had mental health issues and a gambling addiction. Mrs B said that NewDay shouldn't have increased her Aqua credit limit in 2014 because of her past credit problems and her health and gambling issues. Mrs B also said that NewDay shouldn't have offered her the Opus card in 2018 either, for the same reasons.

NewDay acknowledged that it shouldn't have allowed Mrs B to take out the Opus card, given that the debt on her previous NewDay card had been sold to a debt collector. NewDay said it would refund all the interest charged on that card. NewDay also closed the account but required Mrs B to repay the balance.

NewDay didn't think it had done anything wrong when it increased the credit limit in 2014.

An investigator looked at the complaint. He was satisfied NewDay's offer to refund the interest on the Opus credit card – a total of £156.64 – was fair. But he didn't think NewDay should have increased the credit limit on the Aqua card in 2014. Although he appreciated Mrs B was no longer considered to be in financial hardship at this time, he thought it was likely Mrs B would experience financial hardship with the higher credit limit.

The investigator asked NewDay to refund all interest and charges on the Aqua card from the date when the credit limit was increased.

Mrs B said she would accept the investigator's findings if all adverse information on her credit file was removed.

NewDay, however, didn't agree. It said that at the time of the increase in the credit limit Mrs B had maintained payment for nine months with no over limit or late payment fees. NewDay said that external information from Equifax showed that she had a nil balance with other creditors reporting to Equifax for a period of 4 months prior to the increase and had no arrears or payment plan information reported on her credit file. Because of this, NewDay didn't think it had acted incorrectly by increasing the credit limit on the Aqua card.

provisional decision of 14 May 2020

I issued a provisional decision, in which I made the following findings:

Aqua card: I've looked at everything that happened from the time when Mrs B needed help from StepChange up until the credit limit was increased in August 2014. Mrs B was on a payment plan for just over a year, from September 2012 to October 2013. This was intended to get her back on track with her finances. But in October 2013 StepChange was satisfied that Mrs B was no longer experiencing financial hardship and terminated its involvement in her financial affairs.

Over the next nine months Mrs B showed no signs of being in financial difficulty. In the circumstances, I'm satisfied that it was reasonable for NewDay to increase the limit on her card. I don't agree with the investigator that it was "*likely*". Mrs B would fall into financial difficulty due to the increase in her card limit. The available evidence shows that she'd not been in a payment plan since October 2013, she'd maintained payments without any difficulty since then and had no arrears or missed payments reported on her credit file.

Given this, I think the evidence shows that it was more likely Mrs B would not have any difficulty with the increased credit limit. Although I acknowledge Mrs B had had past financial difficulties, it appears that by the time the limit was increased she'd overcome these and that her finances were stable.

In the circumstances, I'm not persuaded NewDay did anything wrong when it increased the credit limit in August 2014. This means that I'm not going to order NewDay to refund any interest or charges on that account, or remove any information recorded on Mrs B's credit file.

Opus card: At the point when Mrs B took this card out in 2018 the debt on her Aqua card had already been sold to debt collectors by NewDay. I'm glad to see that NewDay has acknowledged that it shouldn't have allowed Mrs B to take out this card.

I think NewDay's offer to refund £156.64 of interest and charges on the account is fair. But I'm not going to order NewDay to remove any adverse information about this card from Mrs B's credit file. That's because NewDay is required to report the conduct of the account accurately in order that future lenders can see if there have been any financial difficulties.

Mrs B's complaint about the Opus card is that her past financial difficulties should have been taken into account before this card was issued. So it's only fair that if Mrs B applies for credit in the future, potential lenders are entitled to know that she was in financial difficulty with the Aqua and Opus cards before agreeing to any application for credit.

I reached the following conclusions

- I didn't uphold Mrs B's complaint against NewDay Limited about the increase to the credit limit on the Aqua card;
- I upheld Mrs B's complaint that she should not have been allowed to take out the Opus card. I thought NewDay Limited's refund of interest to the account totalling £156.64 was fair and reasonable. I didn't intend to order NewDay Limited to do anything further.

responses to the provisional decision

NewDay didn't have anything further to say in response to the provisional decision. Mrs B has made some further points, which I summarise below:

- Mrs B doesn't know why StepChange said that her debt management plan ended in October 2013, as this isn't correct;
- at the point when NewDay said the Aqua card limit would be increased in July 2014, Mrs B says her spending was erratic, she was still in the debt management plan and she'd taken out payday loans;
- her bank statements show that she was gambling and had payday loans, and the increase in her credit limit made matters worse.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've reviewed the file again, revisited my provisional decision and taken account of the further points Mrs B has made.

Mrs B wanted to send us her bank statements to show that her spending was out of control in July 2014 when NewDay said the limit on the Aqua card would be increased. But I'm satisfied I don't need to see these. That's because NewDay had no access to Mrs B's bank account, and so would have had no knowledge of her spending habits elsewhere.

I'm satisfied that, considering the information available to NewDay in July 2014, increasing the limit on Mrs B's Aqua card was not unreasonable. Mrs B had maintained payments on the account for nine months, and NewDay was entitled to rely on the information provided by StepChange as being accurate and correct.

So although I acknowledge Mrs B will be disappointed, I'm not upholding her complaint about the Aqua card.

No further points have been made about the Opus card, and my findings on that part of the complaint do not therefore need to be revised.

my decision

My final decision is as follows:

- I don't uphold Mrs B's complaint against NewDay Limited about the increase to the credit limit on the Aqua card;
- I uphold Mrs B's complaint that she should not have been allowed to take out the Opus card. I think NewDay Limited's refund of interest to the account totalling £156.64 is fair and reasonable. I don't intend to order NewDay Limited to do anything further.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 16 July 2020.

Jan O'Leary
Ombudsman