

complaint

Mr O complains that NewDay Ltd (trading as Aqua) gave him a credit card irresponsibly at a time when he was struggling financially. He also complains the credit limit was increased after a short time and he's now having difficulty paying off his debts.

background

Mr O applied for a credit card with Aqua in June 2015. Based on the information it was given at the time, Aqua accepted his application with a credit limit of £300.

In October 2015, Aqua raised Mr O's credit limit to £700. He has since told them he's in financial difficulties and is struggling to pay off his debt. He complained they shouldn't have given him the credit card in the first place because of his credit history. Aqua rejected his complaint so he came to this service.

The first adjudicator who looked at the complaint didn't think it should be upheld. But when a second adjudicator took over the case, she took a different view. Although she thought it was reasonable for Aqua to give Mr O the credit card in June 2015, she didn't think it was reasonable for it to increase the credit limit in October 2015. Aqua disagreed with her findings and asked for review by an ombudsman.

my findings

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

Aqua offers cards to people who are looking to rebuild their credit file. Mr O had a County Court Judgment (CCJ) against him in 2012 and he had an active default at the time of the application. The application said he had an annual income of £22,000 with additional household income of £15,000. Given the context and the relatively small amount of credit, I think it was reasonable for Aqua to accept Mr O's initial application with a £300 credit limit.

In the few months after Mr O took out the credit card, he was regularly over his credit limit and payments were made late. Aqua says it waited a reasonable time before increasing the credit limit and Mr O's account wasn't in arrears at the time. I've considered its arguments carefully. But given the way Mr O had been managing his account, and the fact he was over his limit at the time, I don't think it was reasonable for Aqua to increase his limit when it did. As a result, Mr O's now finding it hard to pay off his debt.

Mr O's had the benefit of the funds so he'll need to pay back his debt. But to put things right, Aqua should refund all interest and charges on the account since the date of the credit limit increase in October 2015. This should be refunded to the account to reduce the outstanding balance. Aqua should also pay Mr O £50 for the distress and inconvenience it's irresponsible lending caused him.

my final decision

For the reasons given above, it's my final decision that this complaint is upheld in part because NewDay Ltd shouldn't have increased Mr O's credit limit in October 2015.

NewDay Ltd should refund all interest and charges on the account since the date of the credit limit increase in October 2015. This should be refunded to the account to reduce the outstanding balance. Aqua should also pay Mr O £50 for the distress and inconvenience it's caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 17 August 2017.

Susie Alegre
ombudsman