

The complaint

Mr H complains that NewDay Ltd (“Aqua”) acted irresponsibly when it granted him a credit card account with a credit limit of £600.

What happened

In April 2017, Mr H applied online for a credit card account with Aqua. In his application, Mr H said he was employed with an income of £29,854. Aqua completed a credit search and assessed the information this returned. It approved Mr H’s application with a credit limit of £600.

In November 2017 Mr H started to incur charges on his account for going over his credit limit of £600 and for failing to make the required minimum monthly payment (at least in full).

In September 2018 Aqua informed Mr H that his account had been suspended.

In December 2018 Aqua ceased debiting interest and charges to Mr H’s account.

In March 2019 Aqua sold Mr H’s account debt on to a third party, as it was entitled to do, and Mr H was advised of the same.

In August 2019 Mr H complained to Aqua that it had acted irresponsibly in granting him the account. He said that it didn’t do enough to check his financial situation before doing so.

Aqua didn’t agree it had acted irresponsibly. It said it used the information he had provided and completed the necessary checks to ensure the credit was affordable.

Unhappy with the response from Aqua, Mr H brought his complaint to our service. An investigator looked into the matter. She found that Aqua had acted responsibly and didn’t uphold the complaint. Mr H disagreed and so his complaint has been passed to me for review and decision.

What I’ve decided – and why

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 can confirm that I’ve come to the same overall outcome as the investigator, for broadly the same reasons. There is also very little I can usefully add to what has already been said.

It’s clear Mr H has very strong feelings about this complaint. He has provided detailed submissions in support of his view which I can confirm I’ve read and considered in their entirety. However, I trust that Mr H will not take the fact that my findings focus on what I consider to be the central issues, and that they are expressed in considerably less detail,

as a discourtesy. The purpose of my decision isn't to address every point raised. The purpose of my decision is to set out my conclusions and reasons for reaching them.

When lenders look at any application to borrow money, they need to make sure there are proportionate checks in place. The checks should ensure that any credit that's approved is affordable and sustainable for the borrower. There's no set list of checks a lender must complete and it's up to each business to decide how it wants to approach assessing applications. But I think it's fair to expect them to consider the information provided to them in the application by the borrower, a review of their credit history and any other information it may already know about that person. So, what I need to consider is whether I think the checks completed by Aqua were reasonable based on the credit it provided.

Mr H says Aqua should have asked for and checked salary slips in support of his declared income and sought proof of his employment from his employer. But the fact that it didn't doesn't mean it has been irresponsible – in some circumstances it won't be unreasonable for a lender to rely on information it has been given on an application when deciding if credit should be provided. This is especially in circumstances – such as in this case – where the consumer is lent a relatively small amount and it needs to be repaid within a reasonable period of time rather than all in one go. It should also be noted that Mr H isn't saying that he wasn't, at the material time, earning the £29,854 he declared he was. So I'm not persuaded that Aqua has done anything wrong here.

Aqua completed a credit search on Mr H and it has provided our service with the results of this search for me to review. These search results, in summary, show that although Mr H had a number of active commitments none of these were in arrears, there were no public records noted (for example county court judgements) and although a number of defaults were recorded, the last one was 17 months prior to Mr H's application for the account and it was for a relatively small sum.

Now having reviewed these search results, and given the income Mr H says he was earning in April 2017, I'm satisfied that the granting of the account (with a relatively low credit limit) wasn't irresponsible as the information indicates that it wasn't unreasonable to expect Mr H to be able to make payments to clear the balance within a reasonable period of time.

The decision on whether to provide credit to an individual is ultimately down to the lender and the fact that Mr H may have had some historical payment issues doesn't necessarily mean he shouldn't have been considered for the account, where the information to hand suggested he'd be able to make the necessary payments.

Aqua has shown that it followed a process to see if Mr H met its lending criteria for the credit and I'm satisfied that these checks were proportionate, based on the amount of credit being granted.

I consider the lending was done responsibly. And given that I can't see that Aqua charged Mr H anything other than it was entitled to under the account terms, and given Mr H's management of the account, if I find that Aqua has done nothing wrong in registering the information it has with credit reference agencies (including recording the account as being in default) and selling the account on to a third party.

Finally, and for the sake of completeness, I would add that as Aqua no longer owns Mr H's debt any concerns Mr H might have about his ability to repay this debt needs to be taken up with the third party who purchased it and not Aqua.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 October 2020.

Peter Cook
Ombudsman