

The complaint

Miss L complains that NewDay Ltd trading as Aqua was irresponsible in offering her a credit card in 2015. She'd like it to write off the balance and to refund all the interest already paid.

What happened

Miss L applied for an Aqua credit card in September 2015. Her application was approved with an initial credit limit of £300. However, Miss L says she's only been able to make minimum payments over the years and hasn't been able to pay off the balance despite the low limit. She feels that she's caught in a negative spiral of debt and that she'll never be able to repay the balance. And the stress and anxiety caused by this has impacted on her health. Miss L feels that, taking into account her credit record at the time of the application, Aqua was irresponsible in approving her application. She'd now like the balance to be written off and a refund of all the interest paid.

NewDay disagreed. It said Aqua was a second chance lender so it was designed to offer credit to customers with a lower credit score or with some adverse markers on their credit files. When Miss L applied, it had carried out checks on her credit history and while she had some unsecured debt, this was covered by her salary and there were no adverse markers to suggest that she wouldn't be able to manage the card. However, it had given her a low initial limit of £300 which it considered to be affordable and this hadn't been increased since then.

It acknowledged Miss L's current financial problems but said it hadn't been aware of them until it received the complaint in 2020. It offered to refund three late payments as a gesture of goodwill but said the interest and charges had been applied in line with the terms and conditions of the card so it didn't agree to refund them or to waive the outstanding balance.

Our investigator felt NewDay had carried out appropriate checks before accepting Miss L's application in 2015 and there'd been nothing in those to suggest the card or the credit limit were unaffordable. For that reason, she couldn't agree that NewDay had been irresponsible to offer this card to Miss L.

She'd also looked to see when NewDay had been aware of Miss L's financial problems but she couldn't see that it had known about this until after she'd brought her complaint and for that reason, she wouldn't have expected NewDay to have taken this into account before then.

As Miss L didn't agree, her complaint has been referred to me for a final 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.

At the heart of Miss L's complaint is her view that NewDay was irresponsible to offer her a credit card in 2015 and that this, together with her inability to repay it since then, has made her financial difficulties worse and affected her health.

I've every sympathy for the position Miss L finds herself in. I appreciate the difficulties she's faced and the impact that must have had. However, in order to direct NewDay to refund the interest or to write off the balance, I'd need to see information to show it had made a mistake. In this case I don't consider that's the situation as I'll now explain.

The way we look at complaints about unaffordable and irresponsible lending complaints is set out on our website, including the key relevant rules, guidance, good industry practice and law. I've taken all this into account when considering what Miss L has said.

Like all lenders, NewDay has to take reasonable steps to ensure that any lending it makes is appropriate and affordable. There's no specific list of checks a lender needs to make but they need to be proportionate to the amount to be borrowed and the borrower's financial circumstances.

But I've also taken into account that NewDay is a second chance lender, that is it markets itself at borrowers with a less than perfect credit record. So, it's not surprising for it to lend to borrowers with a lower credit score or with some adverse data on their credit file. Nevertheless it has to be satisfied that any lending it offers is affordable taking into account the borrower's personal and financial circumstances.

I've seen that when Miss L applied in 2015, NewDay carried out a review of her application. It took into account her income, that was shown as £25,666. It also took into account her credit history and that she had no accounts in arrears, no defaults, no payment arrangements or debt management plans and no public records against her. And while she had had some payday loans, only two were active at the time and these appeared to be being managed appropriately. I should add that with regard to the pay day loans, NewDay wasn't required to have multiple credit reference reports at this time as this requirement didn't come into effect until March 2016 so it was reasonable for it to rely on what it had.

And although NewDay noted that Miss L had high indebtedness and a below average income, its internal scoring concluded the loan was affordable. Miss L may disagree but I don't consider that was unreasonable on the information that was available.

I've seen what Miss L has said about her finances and how she's been unable to pay off her balance over the years. I'd agree that this means she has paid more for her credit than would otherwise have been the case but I can't see that there was anything in the application or credit checks to suggest that the initial limit was unaffordable at the time. And it seems NewDay did reflect on Miss L's credit history because it only offered her a low credit limit of £300 and hasn't increased it since then.

I've seen that some adverse information did become clear in December 2015 but I have to assess NewDay's decision at the time it was made and, having done so, I can't reasonably say that its decision to lend to Ms L in September 2015 was irresponsible.

I've also looked at whether NewDay should have done more to help Miss L when she got into financial difficulties. I've seen Miss L says she did make NewDay aware but NewDay says it doesn't have any record of this before she raised her complaint in 2020. I should explain that where there's no clear information on any point I have to look at what is available and make my decision on the balance of probabilities. I've taken into account what Miss L has said but this isn't supported by the system notes provided by the business or by

any other information I've seen. In the circumstances I can't reasonably say it should have been aware or taken any action to assist before then.

NewDay does have a responsibility to its clients if they fall into difficulty and in this case, I can see that, since it's become aware, it's agreed a repayment plan and closed Ms L's account to avoid any further spending. That should help Miss L with her repayments- and with her finances.

I realise Miss L will be disappointed by my decision but, for the reasons set out above, I don't think NewDay was irresponsible in offering Miss L a credit card in 2015. And for that reason, I won't be upholding Miss L's complaint or asking NewDay to write off the balance or to refund any of the interest paid to date.

My final decision

My final decision is that I do not uphold Miss L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 4 May 2021.

Cerys Jones
Ombudsman