

The complaint

Mr P is unhappy that NewDay Ltd, trading as Aqua, approved him for a credit account which he feels was unaffordable for him at that time.

Mr P is also unhappy that NewDay increased the credit limit on his account on several occasions, which he also feels was unaffordable for him at those time.

What happened

Mr P applied for a NewDay credit account in March 2018. Mr P's application was successful, and he was approved for a credit account with an initial credit limit of £1,200. In August 2018, NewDay increased the credit limit on Mr P's account to £2,000. Further credit limit increases were implemented by NewDay in February 2019, May 2019, and March 2020, the last of which increased the credit limit to £4,750.

In early 2021, Mr P raised a complaint with NewDay on the basis that he thought that the credit account had, at all times, been unaffordable for him. NewDay looked at Mr P's complaint, but they felt that they'd undertaken reasonable and proportionate checks into Mr P's financial position, both at the time of the initial account application and at the times of the later credit limit increases, and that there had been nothing resulting from these checks that should have given them cause to consider that the credit account might be unaffordable for Mr P at those times. So, they didn't uphold Mr P's complaint.

Mr P wasn't satisfied with NewDay's response, so he referred his complaint to this service. One of our investigators looked at this complaint, but they also felt that NewDay had undertaken reasonable and proportionate checks and that those checks hadn't demonstrated that the credit account might be unaffordable for Mr P. So, they also didn't uphold the complaint.

Mr P remained dissatisfied, so the matter was escalated to an ombudsman 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.

It's for a business to decide whether they will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be that the business would undertake reasonable and proportionate checks to confirm that any credit being offered to a customer – or any increase in the limit of existing credit – is affordable for that customer at that time.

NewDay say that they did that here. When Mr P applied for the credit account in March 2018, NewDay took information about Mr P's income and expenditure so as to be satisfied that he would be able to afford any potential repayments due on the account. This included that Mr P was employed with an annual income of approximately £25,000.

Additionally, NewDay also obtained information from a credit reference agency so as gain a better understanding of Mr P's wider financial position. This confirmed to NewDay that Mr P didn't have any outstanding defaults and had no existing credit accounts in arrears. Because of this, I'm satisfied that it was reasonable for NewDay to have concluded that Mr P wasn't in any financial difficulty at that time and that he could afford the credit account that he had applied for.

NewDay also advise that, regarding the credit limit increases, in each instance they reviewed Mr P's management of the account in the months leading up to the credit limit increase and obtained updated information from a credit reference agency to clarify their understanding of Mr P's wider financial position.

NewDay's actions here are in-line with what this service would expect, and I'm satisfied that they do constitute reasonable and proportionate checks into Mr P's financial position. And, having reviewed the information that NewDay obtain here myself, I'm also satisfied that there was nothing resulting from these checks that should have given NewDay cause to consider that the credit being offered might not be affordable for Mr P at those times.

For instance, with regard the first credit limit increase in August 2018, while it was the case that shortly after opening the credit account Mr P took the account balance slightly over the credit limit of £1,200, and incurred an over-limit fee as a result, there then followed a period where Mr P made payments to reduce the outstanding balance down to around £700 – well within the credit limit at that time – and no further charges were incurred on the account.

Additionally, the information which NewDay obtained from the credit reference agencies at that time appeared to confirm that Mr P continued to not be in financial difficulty, including that Mr P appeared to be meeting his other credit commitments without incident, so I don't feel that it was unreasonable for NewDay to have offered the credit limit increase it did at that time.

Similar pictures of the affordability of the credit for Mr P present themselves with regard the other credit limit increases. And while I acknowledge that Mr P did maintain the balance of his account near the credit limit available to him, it must be noted that at no time did Mr P exceed the credit limit and that no over-limit fees were applied. Furthermore, the reports that NewDay received from the credit reference continued to support the view that Mr P wasn't in any financial difficulty at those times.

Of course, this isn't to say that Mr P wasn't in financial difficulty, and I acknowledge that this may have been the case. But I don't feel that I can fairly or reasonably say that NewDay ought to have know that Mr P was in financial difficulty, given the information they used for their assessments of Mr P's financial position which, as previously stated, I'm satisfied it was reasonable for NewDay to have used.

It's notable that when Mr P did contact NewDay in October 2020, to advise that he was in financial difficulty, he confirmed to NewDay at that time that this was as a result of a reduction in household income because Mr P's wife had been furloughed due to Covid-19. While I can sympathise with Mr P for the difficulty he faced here, I can't conclude from this information that the credit limit increases he'd accepted before this point weren't affordable for him. Rather, it appears that it may have been the case that the unforeseen change in household circumstances was the catalyst for the previously affordable credit account no longer being affordable for him.

I'm aware that Mr P feels that NewDay should have undertaken a more thorough check of his full credit file, rather than just relying on information sent to them by a credit reference

agency, and that if they had it would have been apparent to NewDay that the credit limit increases being considered weren't affordable for him at those times.

I can appreciate Mr P's position here, but Mr P's management of his NewDay account had, until October 2020, been without significant incident, and so I don't feel that a full examination of Mr P's credit file by NewDay would have been a proportionate check for NewDay to have taken at those times. It also must be noted that this service has requested a copy of Mr P's full credit file from Mr P, so as to confirm what information might have been available from a check of Mr P's full credit file, but that Mr P hasn't provided a copy to us.

All of which means that, while I sympathise with the financial position that Mr P finds himself in, I find it very difficult to conclude that NewDay have acted unfairly or unreasonably here. And I say this because I'm satisfied that NewDay did undertake reasonable and proportionate checks into Mr P's financial position and that there was nothing resulting from these checks that should have indicated to NewDay that Mr P might not be able to afford the credit he was being offered.

I realise that this won't be the outcome that Mr P wanted here, but it follows from this that I won't be upholding this complaint or asking NewDay to take any further action at this time. I hope that Mr P can understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 13 September 2021.

Paul Cooper
Ombudsman