

## **The complaint**

Miss H complains that NewDay Ltd (NewDay) lent to her irresponsibly.

## **What happened**

Miss H applied for an Aqua credit card from NewDay in April 2016. This was agreed with a limit of £250. The debt was passed to a debt collection agency in February 2019 and repaid in March 2021. Miss H is represented by a claims management company, but I will refer to Miss H in this decision.

Miss H complains that she shouldn't have been given the card. She was struggling with other debt and payday loans. NewDay didn't check her income and expenditure – they accepted her word for it. She went onto miss payments and get into a spiral of debt. She wants a refund of interest and charges and interest of 8% added to it.

NewDay said she'd passed their checks when the card was agreed. She said she earned £15000 a year, plus other household income of £2500. She had other debts of £200. She did have a defaulted loan, but this was 46 months before. She had £142 on payday loans and no accounts in arrears. So, the card was issued. There were no increases in limits given on her account.

Miss H brought her complaint to us. Our investigator said NewDay had acted fairly and responsibly. She had passed NewDay's credit checks, which were proportionate to the limit agreed.

Miss H asked that her complaint be looked at by an ombudsman.

## **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.

All lenders have an obligation to lend money responsibly. We must check whether NewDay acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:

- the lower a customer's income, and the higher amount to be repaid.
- the greater the number of loans and frequency of loans.
- the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

In the case of Miss H's complaint, I consider the limit of £250 to be very modest – and so, NewDay's checks could reflect that.

There were no increases in Miss H's limit for the life of the card, and so I've looked only at the issue of the card in April 2016, and the information that NewDay had before them to look at and assess. I've seen in NewDay's records that Miss H said she had an income of £15000 a year, and other income of £2500. She only had other debts of £200 – NewDay could see she had payday loans of £142. She did have a defaulted loan, but this was 46 months before – almost four years. No accounts were showing as in arrears. So, based on that, NewDay gave her the card. Miss H has said that NewDay should've asked for proof of income and expenditure to validate their decision. But – given the low limit of £250, I don't think it would have been proportionate to expect them to do that.

Looking at what happened after the card was issued, I can see that Miss H went over the limit a lot and was late paying. And – NewDay's searches show that later, she did take a lot of payday loans – in May 2016 (one month after taking the Aqua card) – she had 23. But - the amount lent was only £1661, with only two loans being active. So – it looks like many were low balances, or zero balances. It does look as though Miss H's problems got worse later – in September 2017, she had debts of £5210, and by February 2019, she had debts of £12506. But – I can't say that NewDay were responsible for this or could've anticipated that. Based on the information they had at the time, NewDay were OK to issue Miss H with the card with the limit of £250.

And so – my decision is that NewDay acted responsibly in giving Miss H the card, and I won't be asking them to do anymore here.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 29 September 2021.

Martin Lord  
**Ombudsman**