

## **The complaint**

Mrs W complains that NewDay Ltd ("NewDay"), trading as Aqua, irresponsibly granted her credit that she couldn't afford to repay.

## **What happened**

NewDay approved a credit card application for Mrs W in November 2017. The credit limit was set at £900 and was never increased.

Mrs W says that NewDay were wrong to provide credit as it wasn't affordable for her.

NewDay disagree. They say that when they approved the credit card application they reviewed Mrs W's credit file and found she had no arrears, no County Court judgments, and no defaults. They said there was £38,400 of unsecured debt but they thought that as Mrs W had told them she was earning £22,000 a year she would be able to afford the credit they were providing.

Our investigator thought that NewDay shouldn't have approved the credit card application and she suggested NewDay should take some action to remedy the situation. But as NewDay disagreed the complaint has been referred to me, 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

I think NewDay completed proportionate checks before approving the credit card. They reviewed Mrs W's credit file and gathered some information from her about her income and circumstances. But I think the information they gathered should have raised concerns about Mrs W's ability to repay the credit they were providing sustainably.

That's because it was clear Mrs W had significant other debt and a relatively low income from which to furnish that debt, and any additional debt Mrs W was to be granted through this application.

NewDay have suggested they took into account other household income Mrs W would have had access to but, whilst that income may have meant her household expenditure may be shared, I don't think it was reasonable to suggest that other income could be used to pay off the substantial debt she owed to other creditors. That was Mrs W's responsibility alone.

I think NewDay's decision to approve Mrs W's credit card application was irresponsible as the information it had suggested the lending was unaffordable.

## **Putting things right**

As I don't think NewDay should have approved the credit card, I don't think it's fair for it to charge any interest or charges on it. However, Mrs W has had the benefit of all the money she spent on the account so I don't think that spending should be refunded. The account was closed in February 2018 so, NewDay should:

- Refund all interest, fees, charges, and insurances and add 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement.
- Remove any adverse information they may have reported to Mrs W's credit file in relation to this account.

\*If HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mrs W a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

## **My final decision**

I uphold this complaint and direct NewDay Ltd to put things right in the manner set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 22 September 2022.

Phillip McMahon  
**Ombudsman**