

The complaint

Mr E has complained that NewDay Ltd trading as Aqua irresponsibly lent to him.

What happened

Mr E opened a credit card account with NewDay (trading as Aqua) in December 2017. His credit limit was £450 and was never increased.

Mr E says that NewDay shouldn't have allowed him to open an account. Mr E says he feels there were insufficient checks to ensure his level of borrowing was affordable. He says at the time he was struggling to manage his priority bills, had a low income and had numerous other debts that were greater than his annual income. He says that being able to obtain unmanageable levels of borrowing led to significant levels of financial distress that continues to this day.

NewDay says it didn't lend irresponsibly to Mr E and that it did all the necessary checks before it lent to Mr E.

Our adjudicator thought that Mr E's complaint should not be upheld. They thought that even if NewDay had done all the checks they thought were necessary that Mr E had sufficient disposable income at the time to manage the repayments in a sustainable way.

Mr E disagreed. He made further points about his financial situation at the time. As Mr E disagreed the case has been passed to me to make a 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Mr E's complaint.

NewDay needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr E could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr E's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

Certain factors might point to the fact that NewDay should fairly and reasonably have done more to establish that any lending was sustainable for Mr E. These factors include things like understanding Mr E's income, the total amount Mr E borrowed, and the length of time Mr E

had been indebted. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

When Mr E opened his account NewDay conducted a creditworthiness assessment. NewDay says that this included a review of information from credit reference agencies, information provided by Mr E about his income and circumstances and data which estimated his essential expenses. NewDay told us there were no signs of financial difficulties based on the checks it did.

Mr E was as a student, so his income was relatively low. His student loan was supplemented by casual work. Clearly, student loans are not paid in on a monthly basis as might be expected from a regular income, but over the period September to November 2017 (shortly before the credit card was opened) Mr E had an average monthly income of about £900 and his committed expenditure was around £526.

NewDay's checks at the time showed he had no defaults, no CCJs and no credit accounts in arrears. Mr E points out that his current account was overdrawn. I can see that in November/December 2017 his student bank account was overdrawn by between £448 and £985, but I don't think this would have been a reason on its own to refuse credit to Mr E. NewDay noted this in its creditworthiness checks.

Mr E refers in his complaint to numerous other debts and has supplied his own credit report. I can see that he did get into some financial difficulty, but this was from credit he took out after his application for the Aqua credit card. So I don't think this was something NewDay could reasonably have taken into account when providing Mr E with his credit card in December 2017.

So I don't think NewDay did anything wrong with its original lending decision and I don't think Mr E lost out as a result of anything NewDay did wrong.

My final decision

I do not uphold Mr E's complaint. It follows that NewDay Ltd, trading as Aqua, does not need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 20 July 2022.

Sally Allbeury
Ombudsman